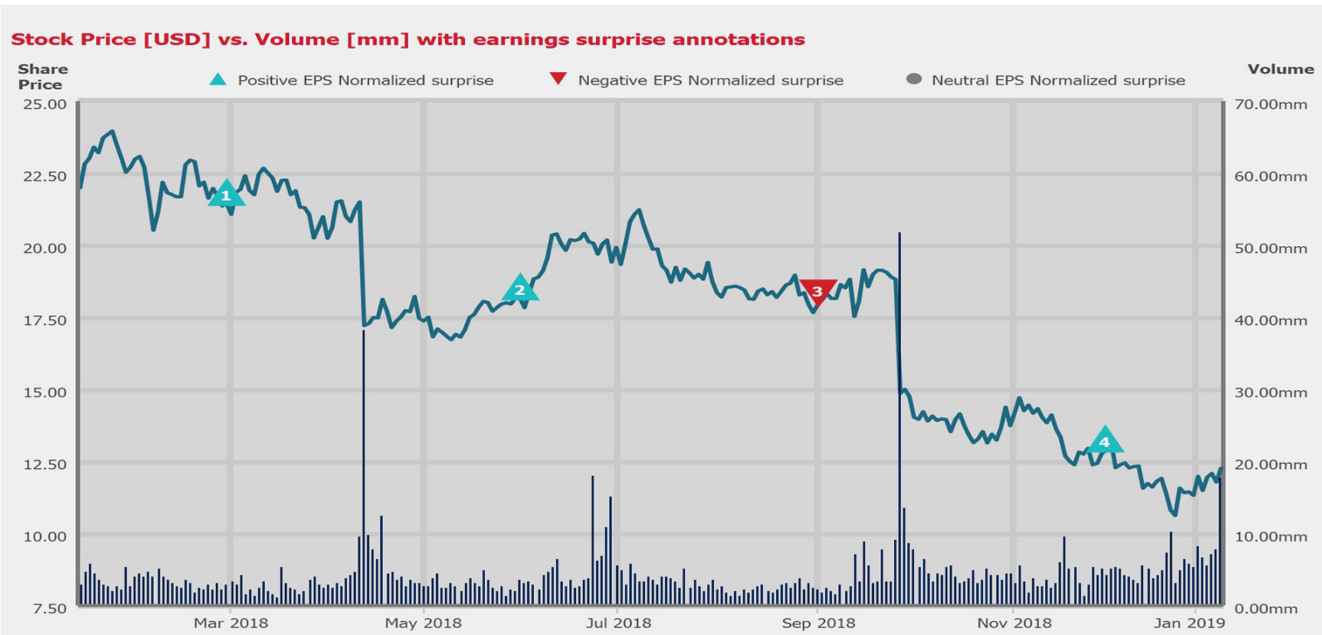
EXHIBIT A

S&P Global
Market Intelligence

Bed Bath & Beyond Inc. NasdaqGS:BBBY
FQ3 2019 Earnings Call Transcripts
Wednesday, January 09, 2019 10:00 PM GMT
S&P Global Market Intelligence Estimates

	-FQ3 2019-			-FQ4 2019-	-FY 2019-		-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	GUIDANCE	CONSENSUS
EPS Normalized	0.17	0.18	▲5.88	1.12	2.00	2.00	1.60
Revenue (mm)	3041.13	3032.23	▼(0.29 %)	3408.85	12149.35	-	12082.68

Currency: USD
Consensus as of Jan-09-2019 10:06 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2018	1.41	1.48	▲1 4.96 %
FQ1 2019	0.32	0.38	▲2 18.75 %
FQ2 2019	0.50	0.36	▼3 (28.00 %)
FQ3 2019	0.17	0.18	▲4 5.88 %

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Call Participants

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COO & President

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Vice President of Investor Relations

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Presentation

Operator

Welcome to Bed Bath & Beyond's Fiscal 2018 Third Quarter Earnings Call. [Operator Instructions] Today's conference call is being recorded. A rebroadcast of the conference call will be available between -- beginning on Wednesday, January 9, 2019, at 8 p.m. Eastern Time through 8 p.m. Eastern Time on Friday, January 11, 2019. To access the rebroadcast, you may dial (888) 843-7419 with a passcode ID of 47947100.

At this time, I would like to turn the conference call over to Janet Barth, Vice President, Investor Relations. Please go ahead.

Janet M. Barth
Vice President of Investor Relations

Thank you, Adrienne, and good afternoon, everyone.

Before we begin, I want to remind you that our fiscal 2018 third quarter earnings release and slide presentation can be found in the Investor Relations section of our website at www.bedbathandbeyond.com and as exhibits to a Form 8-K we filed just ahead of this call. Feel free to access these materials now while I continue with our introduction.

Joining me on our call today are Steven Temares, Bed Bath & Beyond's Chief Executive Officer and Member of the Board of Directors; Robyn D'Elia, our Chief Financial Officer and Treasurer; Gene Castagna, President and Chief Operating Officer; and Sue Lattmann, our Chief Administrative Officer.

Let me remind you that this conference call and the slides we refer to may contain forward-looking statements, including statements about or references to our internal models and our long-term objectives. All such statements are subject to risks and uncertainties that could cause actual results to differ materially from what we say during the call today. Please refer to our most recent periodic SEC filings for more detail on these risks and uncertainties. The company undertakes no obligation to update or revise any forward-looking statements.

Here are some financial highlights. Our net sales increased approximately 2.6% for the quarter, and comparable sales declined approximately 1.8%, with strong sales growth in our customer-facing digital channels and a mid-single-digit percentage decline in sales from our stores. Our net earnings per diluted share in the third quarter were $0.18, in line with our model. Our retail inventories ended at about $2.9 billion at the end of the third quarter, down about 6% from the end of the prior year period and has contributed to our strong cash and investment balance of approximately $1 billion, which is nearly double the amount of cash and investments we had at the end of our fiscal 2017 third quarter.

We've updated our fiscal 2018 modeling assumptions and currently estimate comparable sales for the year to decrease about 1% and continue to model net earnings per diluted share for fiscal 2018 to be about $2. We are ahead of plan with respect to our long-term financial goals to moderate the declines in our operating profit and net earnings per diluted share this year and next and grow net earnings per diluted share by 2020. And based upon our preliminary assumptions, we now believe that our fiscal 2019 net earnings per diluted share will be about the same as this year. In addition, our Board of Directors today declared a quarterly dividend of $0.16 per share payable on April 16, 2019, to shareholders of record at the close of business on March 15, 2019.

During our call today, Steven will give an update on the company and a few of our strategic initiatives, and Robyn will review our quarterly financial results, share our updated modeling assumptions for fiscal 2018 and then provide some high-level directional information for fiscal 2019. We will then open up the call for questions.

I'll now turn the call over to Steven.

Steven H. Temares
CEO & Director

Thank you, Janet.

Let me start by saying that we are pleased with the progress we're making in transforming our company and believe we are currently ahead of plan. This reflects some of the adjustments we have been making as we pursue our long-term strategic goals.

As we discussed during our last call in September, we had been managing our business with a stronger bias towards prioritizing profitability above sales growth to put us in a better position to reestablish earnings growth. Through a comprehensive review of our assortment, the early learnings coming from our initiatives as well as the investments we've been making in new technology tools and systems, we're able to make better decisions and pull different levers to drive more profitable results.

We're using these insights to support various business decisions to ensure that they are aligned with our mission of being the expert for the home and heartfelt life events, and we can execute in a way that is profitable and scalable. While some of these decisions, such as eliminating less profitable SKUs from our assortment, making adjustments to our free shipping thresholds, modifying business rules for beyond store and web transactions and modifying our pricing algorithms may unfavorably impact our sales in the near term, we believe these sound business decisions will lead to a stronger company and improved profitability over time.

Turning now to an update on a few of our strategic initiatives. For those that have the slide presentation in front of you, I will start with FEO, which stands for Front-End Optimization. FEO involves the re-platforming of our digital commerce platforms for Bed Bath & Beyond and buybuy BABY for both the United States and Canada with new service-based architecture as a responsive design that enables us to change and deploy new sections or features within and across all of our web channels more quickly and cost-effectively. For our customers, FEO will create a better shopping experience with improved page load performance and a cleaner, more contemporary website design.

We were anxious and excited to roll out FEO before the holiday, although knowing that not all of the existing website functionality would be available at launch. We believe that the valuable learnings we would gain in terms of customer experience and site performance during a peak sales period would be more beneficial in the long run versus the short-term risk to sales due to some temporary loss of relevancy in our search result rankings and any revisions required within the newly created platform. We're now building the functionality with additional features and capabilities, and as we go forward, we will continue to optimize the platform and integrate more content and product imagery to display our expertise.

Next, let's turn to our next-generation store initiative. As we have previously said, we have identified as many as 40 or so Bed Bath & Beyond stores that will become our working labs in support of our next-generation store initiatives. In these lab stores, we are testing new and different assortments and visual merchandising and reimagining the in-store experience to be able to further reinforce our position as the expert for the home and heartfelt life events. We are incorporating the learnings from our assortment strategy initiatives and other ongoing tests to assess where we can selectively and efficiently roll out these new experiences to a larger number of stores.

Just to note, these lab stores will each present differently with different tests underway at any given time. In the 18 lab stores we have initiated so far, we've been augmenting our assortments with seasonal and treasure-hunt product as well as commodity product consisting of health and beauty care and food. We have also been testing different visual merchandising presentations to create a more inspirational environment while at the same time reducing inventory to optimize the floorspace and to create a cleaner and more open appearance. Again, early learnings and successes can then be rolled out to the broader chain as part of our ordinary course of business.

The next set of experiences we will be testing feature even more evolved models for visual presentations, merchandising and store operations, including creating more open sightlines, further integrating our

assortment and focusing associate support across merchandise areas to better represent our key destinational categories such as cooking and entertaining, bedding and bath, home décor, and cleaning and organization.

We are tracking the progress of these evolving experiences with several metrics, including customer behavior data for new, existing and reactivated customers; space productivity; transactions; sales and profitability; and inventory. For the lab stores that have been opened for at least 4 weeks, the experiences created are contributing to sales and transactions, which year-to-date through the end of the third quarter are performing at a mid-single percentage rate better than the rest of our Bed Bath & Beyond stores.

For the same period, these stores are achieving inventory reductions in excess of 10% better than the inventory reductions being achieved by the rest of the chain. We are pleased with the early learnings from these lab stores and we continue to iterate based upon them.

I will finish my update with decorative furnishings, which is also being expressed in our next-gen lab store initiative through a treasure-hunt assortment of cash and carry items as well as in more than 70 other Bed Bath & Beyond stores in the form of furniture vignettes, with plans to expand to approximately 150 stores during 2019.

Overall sales of decorative furnishings within Bed Bath & Beyond and buybuy BABY in the United States and Canada have grown in the mid-teen percentage range fiscal year-to-date. As with our overall sales, sales of our decorative furnishings in the third quarter was tempered by actions taken to drive improvement in the long-term margin structure of our decorative furnishings category. In this regard, we've been eliminating less profitable SKUs and poor performing vendors from our assortment.

Our strategy to decorative furnishing is to continue shifting the category sales mix to more proprietary product such as our upcoming introduction of the Bee & Willow line, the first of 6 in-house decorative furnishing brands we plan to introduce for Bed Bath & Beyond in 2019 and 2020. The Bee & Willow Home collection includes a mix of modern farm house and cottage furnishings, including furniture, lighting, rugs, wall décor and seasonal accessories and more. This exclusive brand will be featured in all our Bed Bath & Beyond stores and online, and we will have upwards of approximately 150 stores present Bee & Willow furniture vignettes. While some elements of the collection are starting to roll out now, the full assortment will be available by March 2019.

Our new in-house brands will each have an independent esthetic, either built upon existing and established private-label brands or as a new brand launch within our private-label portfolio. With these new introductions, we will be able to enhance our product differentiation and margin profile within the category as well as offer a range of distinctive styles, inclusive of farm house, traditional, modern, global and eclectic.

As we transform our company, we have been engaged in significant change to permit, undertake and execute our reinvention across people, processes and systems. The investments we have made and continue to make are designed to position our company for long-term success. We have established the foundation and the framework and are executing initiatives that we believe are allowing us to stabilize our business and grow earnings again. As we are moving forward in 2019, we expect these initiatives to gain even more momentum and accelerate.

Looking past 2019, our transformation will become even more visible to our customers. Our intent is to continue to put resources behind deepening our identity as a data-driven analytics and technology company. We will better represent whole home and heartfelt life events and better inspire our customers through a more robust decorative furnishings offering and more proprietary and meaningfully differentiated products. We will further integrate our life stage businesses. We will evolve our stores so that they will have cleaner sightlines, less clutter and are better cross-merchandised, and our associates will be better enabled to support our customers' shopping needs. We will continue to enhance our digital experience. We will better engage with our customers through both more relatable national branding and a greater emphasis on marketing personalization. And overall, we expect to operate fewer stores while continuing to drive profitable digital growth, all supported by an efficient corporate structure.

In all of this, we remain focused on our financial goals of moderating the declines in our operating profit and net earnings per diluted share and reestablishing growth in both. As Janet said earlier, we are ahead of plan. And based on our preliminary assumptions, we now believe that our fiscal 2019 net earnings per diluted share will be about the same as this year.

I'll now turn the call over to Robyn to review our quarterly results in more detail, sharing our modeling assumptions for fiscal 2018, and then provide some high-level directional information for 2019.

Robyn M. D'Elia
CFO & Treasurer

Thank you, Steven.

As I begin, I would like to remind you that our fiscal 2017 was a 53-week year, causing our fiscal 2018 to start 1 calendar week later than fiscal 2017. However, our comp sales metric compares to the same year-over-year calendar weeks. For your reference, specific date ranges related to our comp sales metrics are provided on the slide entitled Q3 2018 P&L Summary.

For those of you who are following along with the slides, I will now review our third quarter results. Overall, while our net earnings per diluted share were in line with our model for the quarter, as Steve described earlier, our third quarter net sales growth was somewhat moderated by actions taken during the quarter in support of our stronger bias towards driving profitability improvement over near-term sales growth. For example, during the quarter in our Bed Bath & Beyond digital channel, we raised our free shipping thresholds to $39 from $29, and during the extended Thanksgiving weekend, we offered a free shipping threshold of $19 compared to having no minimum purchase during the same period last year.

We issued fewer marketing e-mails and spent less on paid search advertising for Bed Bath & Beyond compared to the prior year. We eliminated less profitable SKUs from our assortment primarily within our decorative furnishings category. And we knew that the preholiday rollout of FEO will be a risk to sales due to some temporary loss of relevancy in our search result rankings.

Net sales in the quarter were approximately $3 billion, an increase of approximately 2.6% compared to the third quarter of last year, primarily due to the calendar shift of the post-Thanksgiving week into the third quarter and out of the fourth quarter, partially offset by actions taken during the quarter in support of our stronger bias towards driving profitability improvement that I just mentioned.

Comp sales for the quarter declined approximately 1.8% and reflected a decrease in the number of transactions in stores, partially offset by an increase in the average transaction amount. On a directional basis, comp sales growth from our customer-facing digital channels continued to be strong in the quarter while comp sales from our stores declined in the mid-single-digit percentage range.

Gross margin in the quarter was approximately 33.1% of net sales as compared to approximately 35.2% in the third quarter of last year. In order of magnitude, this decrease as a percentage of net sales was primarily due to a decrease in merchandise margins and an increase in coupon expense. The increase in coupon expense was the result of an increase in the average coupon amount, partially offset by a decrease in the number of redemptions.

As we have previously described during these calls, our BEYOND+ membership program has and will continue to have an impact on our gross margin as the rate of member enrollment increases. We estimate the impact from BEYOND+ on our gross margin was approximately 30 basis points for the third quarter and approximately 40 basis points for the first 9 months. As a reminder, the richer benefits of this program, including 20% off entire purchase and free shipping, are realized immediately upon sale, while the $29 membership fee is currently amortized over the 1-year membership period. Notwithstanding the short-term margin impact during this period of increasing member enrollment, we continue to evaluate the learnings and remain very encouraged by the long-term potential of BEYOND+.

SG&A for the quarter was approximately 31.5% of net sales as compared to approximately 31.6% in the prior year period. We had 2 significant items in the quarter which were previously discussed that basically offset each other. First, we had about $26 million in incremental advertising expense in this quarter,

resulting from the impact of the new revenue recognition standard, which for us shifted advertising expenses from the fourth quarter to the third quarter. This expense was offset by the $28 million gain on the sale of the building.

As a percentage of net sales, we also had increases in technology-related expenses, including related depreciation and management consulting expenses related to some of our ongoing strategic initiatives, offset by decreases in payroll and payroll-related expenses, including the benefit from the change in the value of our nonqualified deferred compensation plan investment. This benefit was fully offset in net interest expense and therefore did not impact net earnings. For the quarter and year-to-date, the decline in the operating profit margin was less than we experienced in the prior year, which was in line with our model.

Net interest expense was approximately $22.7 million compared to $13.6 million in the prior year period. As I just mentioned, this increase in net interest expense was primarily the result of an unfavorable change in the value of our nonqualified deferred compensation plan investment, which is fully offset in SG&A.

While we are now modeling our effective tax rate for the year to be around 24%, our effective rate for the quarter was approximately 9.2%. The rate this quarter reflects the lower federal tax rate resulting from the Tax Act and approximately $4.8 million of net after-tax benefits due to distinct events occurring in this quarter, which is only about $1.5 million higher than the net after-tax benefits occurring in the prior year period. However, on a lower pretax earnings base, this resulted in a greater beneficial impact on the tax rate for the quarter. Considering all of this activity, net earnings per diluted share were $0.18 for the quarter, in line with our model.

Now looking to our balance sheet. We ended the quarter with approximately $1 billion in cash and investments, an increase of approximately $460 million, which is nearly double the amount of cash and investments we had at the end of the fiscal 2017 third quarter. We also ended the quarter with retail inventories of approximately $2.9 billion at cost, which represents a reduction of about 6% compared to the end of the third quarter last year. We continue to focus on inventory optimization strategies. Our retail inventories continue to be tailored to meet the [needs and] demands of our customers and are in good position.

Capital expenditures for the first 9 months of 2018 were approximately $256 million, with about 2/3 related to technology projects, including investments in our digital capabilities and the development and deployment of new systems and equipment in our stores. The remaining CapEx was primarily related to our new store openings and investments in existing stores. During the third quarter, we opened 4 new stores and closed 15 stores.

Our goodwill and other intangible assets will be reviewed as required by the accounting rules during our fiscal fourth quarter to determine if the carrying value of these assets need to be adjusted. Looking ahead, if our market capitalization remains around its current level through the fiscal fourth quarter based on the application of the accounting rules, it may indicate that the carrying value of these assets will need to be adjusted through a noncash charge in the fiscal fourth quarter. Of course, this noncash charge, if taken, will be disclosed as a separate item to provide visibility to our actual operating results.

Also during the third quarter, share repurchases were approximately $8 million, representing a little more than 0.5 million shares. In addition, our Board of Directors today declared a quarterly dividend of $0.16 per share to be paid on April 16, 2019, to shareholders of record as of March 15, 2019.

Now let's turn to our modeling assumptions for fiscal 2018, which have been updated to consider our results to date, including the holiday selling season, the continuation of trends we have been experiencing and the earlier-mentioned actions being taken in support of our stronger bias towards prioritizing long-term profitability over near-term sales growth.

Consolidated net sales, which includes 1 less week of sales compared to fiscal 2017, are modeled to decrease in the low single-digit percentage range. As a result of the impact of the fiscal calendar shift resulting from the 53rd week in the prior year, which moved the post-Thanksgiving week into the third

quarter and out of the fourth quarter and 1 less week in the fiscal fourth quarter, we are modeling net sales for the fourth quarter to decrease in the low double-digit percentage range; comparable sales for the year to decrease about 1%, including continued strong growth in our customer-facing digital channels; gross margin deleverage, primarily due to our continued investment in our customer value proposition, including the impact from the BEYOND+ membership program and our overall mix of merchandise, including the ongoing shift to our digital channels; SG&A deleverage, primarily due to the investments we are making to transform the company; operating margin deleverage to be less than we experienced in 2017; depreciation expense to be in the range of approximately $325 million to $335 million; an estimated full year tax rate around 24%; the reduction of our year-over-year retail inventory at cost by approximately $100 million or about 4% at the end of the fiscal year; capital expenditures for the full year in the range of approximately $350 million to $400 million, subject to the timing and composition of projects; the opening of approximately 20 new stores with the majority being buybuy BABY and Cost Plus World Market stores; the closing of approximately 40 stores with the majority being Bed Bath & Beyond stores; continued growth of our cash and investments even after funding our operations and capital expenditures as well as our quarterly dividends and share repurchases.

As a reminder, our share repurchase program may be influenced by several factors, including business and market conditions. All of this considered, we continue to model our annual net earnings per diluted share to be about $3.

I will end my remarks with a few high-level directional comments about next year. During our quarterly conference call in April, we will be in a better position to provide more detailed modeling assumptions around fiscal 2019, but for now, I want to reiterate what Steven said earlier that we remain focused on our financial goals of moderating the declines in our operating profit and net earnings per diluted share and reestablishing growth in both.

Based on our progress with the transformation and our stronger bias towards prioritizing long-term profitability above near-term sales growth, we've made the following preliminary assumptions for fiscal 2019.

We expect comparable sales to decrease in the low single-digit percentage range, driven by the decline in store traffic that we have been experiencing. We expect our operating profit as a percentage of sales to be similar to 2018 as a result of our ongoing initiatives and the review of our overall expense structure across the organization. And this includes implementing efficiencies in store and corporate operations, executing against opportunities to improve the overall mix of our product offerings to a higher gross margin; optimizing our advertising and coupon strategies associated with some of our advertising vehicles, including direct mail, digital and social media, and placing greater reliance on personalization; a comprehensive review of all store users with the assistance of a third party; and further leveraging of our dedicated offshore technology office in India. Lastly, we expect CapEx to be similar to this year.

Based on these high-level assumptions, we believe we will be able to substantially reduce the year-over-year decline in our net earnings per diluted share that we have experienced during our period of heavy investments to transform our company over the past 3 years. On a preliminary basis, we believe that our fiscal 2019 net earnings per diluted share will be about the same as this year.

Before we open the call to questions, I want to note that we will report our fiscal fourth quarter earnings results on Wednesday, April 10, 2019.
We can now open the call for questions.

Question and Answer

Operator

[Operator Instructions] And the first question comes from Jonathan Matuszewski from Jefferies.

Jonathan Richard Matuszewski
Jefferies LLC, Research Division

I guess, just first off on the next-gen lab stores. You shared what you're doing differently from a top line perspective and categories, but can you go into a little bit more about what you're doing from an expense structure perspective and how those changes can be replicated across the chain?

Steven H. Temares
CEO & Director

Sure, Jonathan. The -- so first of all, look, we said that these are lab stores and that there's different tests going on in different stores at any one time. And some of the things we're doing as we model store payroll going forward is we're looking at the categories of the store that were really destinational occurring and they really drive an associate -- a positive associate interaction with the customer. Where is it that a customer can best be approached, be offered help, put together and answer for a customer? Where, if you look across fashion decisions or parts of the store where it's more difficult to make a decision across higher price points and more complicated or complex merchandise. Those are the areas where we would shift payroll into those areas of the store versus those areas that maybe we just need to do a good job of making sure that we're in stock. The things that we're doing to make sure that we have the associates in the stores for the hours that we need them. We have different tools now to make sure that we understand those hours in any particular store that we need people and where do we need them. We could look at where we have callouts and the ability to have a new technology to allow us to quickly address callouts in store to make sure that we have the proper coverage on the floor. So there's a number of things we're doing from a payroll model that will -- translating and should translate over the -- over time to a better customer experience.

Jonathan Richard Matuszewski
Jefferies LLC, Research Division

Great. That's helpful. And then, I guess, just transitioning to kind of the upgrade of kind of the front-end site. Sounds like maybe some of the improvements have been implemented and others are on the way. But maybe when you were doing testing for some of these upgrades, what kind of traffic and conversion improvements did you see coming from efforts to improve page load speed or simplified user interface? Were these material to kind of digital trends? And I guess, when can we expect the rest of the upgrades to be rolled out and maybe other concepts beyond Bed Bath's website to get them?

Steven H. Temares
CEO & Director

Sure. Okay, so the answer to back half of the question is that we're looking at the end -- some time to -- right now, we're shooting for the middle of March to recover a lot of the functionality that didn't go into FEO so that we could get FEO out in the time frame we wanted to get it out. We're seeing improvements in conversion. The traffic itself, there was impact. And there's measurement impacts and there's impacts in terms of our ability to look at furniture data. So right now, there's a lot of things are going on that we have to better assess to understand. But we did know -- we knew going into it that things like traffic, relevancy could have been impacted by things that we did, that we knew that there was functionality that we had that we didn't have Day 1 to be able to launch. So again, we'll recover that functionality by that second week of March is the plan, then to continue to add-on functionality as we go forward. But again, even with this, we've seen good improvements in conversion rate.

Eugene A. Castagna
COO & President

And Jon, this is Gene. Bed Bath & Beyond and buybuy BABY are both on the new Front-End infrastructure. And then we're looking over the next couple of years to see when it makes sense to add any of the other concepts to the infrastructure.

Operator

And the next question comes from Zach Fadem from Wells Fargo.

Zachary Robert Fadem
Wells Fargo Securities, LLC, Research Division

Could you talk a little more about the impact of the real estate gain in the quarter? Looks like your EPS in Q3 was closer to $0.02, excluding that onetime item. So first of all, is that right? And then second of all, for the full year outlook, just want to clarify whether the $2 in guidance also includes this onetime gain.

Robyn M. D’Elia
CFO & Treasurer

Sure. So we did have a sale of a building in the quarter, and we had -- we talked about it last quarter, and it did represent $0.16 on the quarter. But also, we had the acceleration of our advertising expenses from our revenue recognition accounting standard move into the third quarter as well. So those 2 essentially offset each other, and we've provided visibility to those items on our call last quarter. And then as far as the full year guidance, the $2, it does include the impact of this gain on the sale of the building.

Zachary Robert Fadem
Wells Fargo Securities, LLC, Research Division

So the $2 for the full year includes a onetime gain, but what about the offsetting ad expense? Is that different or is it the full $0.15?

Robyn M. D’Elia
CFO & Treasurer

No, both items are included in our full year model. The advertising expense is a change due to revenue recognition and it impacts the timing of advertising. But for the full year, it wouldn't be an impact. So it was more pronounced, the advertising on Q3 and Q4, where we shifted dollars into Q3 -- shifted advertising expenses to Q3 and out of Q4. But both are in our full year model and both were in our plans as of last quarter and continue to be there this quarter.

Zachary Robert Fadem
Wells Fargo Securities, LLC, Research Division

So for the full year, the real estate gain is a onetime item while the ad expense is not, correct?

Steven H. Temares
CEO & Director

Correct.

Zachary Robert Fadem
Wells Fargo Securities, LLC, Research Division

Got it. And then second, on the decision to raise your free shipping threshold on your website, curious how much comp you think you left on the table from doing this.

Steven H. Temares
CEO & Director

Yes. I mean, it's always difficult to say how much comp you left on the table with the change. You'll have certain customers perhaps not buy due to the higher threshold and perhaps other customers add something to the cart to get to the threshold. But we do think anytime you raise the threshold that it does have some impact on sales, but it's difficult to quantify externally.

Operator

And your next question comes from Michael Lasser from UBS.

Michael Lasser
UBS Investment Bank, Research Division

It's on the initial 2019 guidance. It would represent, obviously, a substantial change in trend, so could you give us more detail? I think some of the comments that you outlined suggest that a good portion of the improvement in the margin trajectory could've come from SG&A. So is there really that much more cost to cut? And how much is going to come from gross margin?

Robyn M. D'Elia
CFO & Treasurer

Sure, thanks for the question. So in our preliminary assumptions, as you noted, we outlined some of the items where we have initiatives that we expect to take hold. There are many others that we're continuing to work on. And we do think, predominantly, the dollars will come from SG&A benefits but some will be in margin as well. And some of the items that I'd outlined include a comprehensive review of all of our store leases with the assistance of a third party. So typically, we look out a few years and we have an in-house real estate team that regularly negotiates our leases. But we've decided at this point to take a more aggressive approach in looking at that particular area and evaluating all of our store leases with set parameters and expectations in terms of what we want to achieve. We're also working on optimizing our advertising and coupon strategies, including all of our advertising vehicles. And as we mentioned before, we were working on a personalization strategic initiative, and so we plan on placing greater reliance on personalization.

Steven H. Temares
CEO & Director

Yes. And yes, we've -- through this period of transition, we've been making heavy investments. Next year, we believe that to a greater degree, we'll be able to leverage a lot of the investments that we've been making both in technology and in people to be able to enhance the profitability.

Michael Lasser
UBS Investment Bank, Research Division

And if we look at the run rate of your business, your comp getting -- declining at a low single-digit rate. The gross margin has been declining in excess of a couple hundred basis points. So you're expecting next year that your comps will decline at a similar level but your gross margin may be flat to up. So what's inherent in that expectation? You're no longer going to be pursuing or you're going to be prioritizing profitability at the expense of sale, so shouldn't we expect sales to be even lower next year than this year? And what have you assumed from a coupon redemption and amount perspective, your net assumption for next year?

Robyn M. D'Elia
CFO & Treasurer

Well, in our preliminary assumptions, we did share that our comp sales will be decreasing in the low single digit, considering all of the levers that we were pulling to drive more profitable results. So it is considered in the model. And I think we -- what we shared was that our operating margin will be consistent with fiscal '18.

Eugene A. Castagna
COO & President

And of course, we haven't completed the budget. This is a preliminary look. In April, we'll be able to provide a lot more information. But we do think directionally at this point in time, that's just where 2019 will head.

Steven H. Temares

CEO & Director

And again, just so we're clear, that is not about just -- it's not a cost-cutting exercise for us. As Gene said, this is a natural evolution for us from all these investments that we've been making. That we changed our entire leadership team, we've hired the people, we've invested in the systems. We put the processes in place. We've added the SKUs. We've benefited from having the consulting expertise. We're executing against our initiatives. So again, all those things allow us to pull the levers and to make the changes necessary to be more profitable. So again, we've established a new baseline for us to conduct business in a better way. And those are the investments we've been making to allow us to do that.

Operator

And our next question comes from Steve Forbes from Guggenheim.

Steven Paul Forbes
Guggenheim Securities, LLC, Research Division

Maybe a quick follow-up on the shipping threshold changes. So more about the margin implications during the quarter, right, given the change. Can you help us quantify what that benefit was year-on-year and whether we should expect a similar sort of benefit looking out over the next 9 months? Is there any plan to sort of change those thresholds one way or another?

Robyn M. D’Elia
CFO & Treasurer

What we've built into our planning regarding our free shipping threshold is to remain at the current levels that we're at, barring any changes for holidays or things of that nature. And I think as Gene mentioned, it's difficult to quantify one individual item and whether we lost sales as a result of raising that free shipping threshold for an individual customer. But we've built it into the plan at a consistent level.

Steven Paul Forbes
Guggenheim Securities, LLC, Research Division

And then just a follow-up on decorative furnishings, right? So it appears, right, that the growth rate has been moderating, and I think you talked about some reasons why. So can you just give us an exit rate there? What was the rate of growth during the quarter? And then can you update us on the number of SKUs? I mean, is the number of SKUs -- are you reducing the absolute number of SKUs or is it more of like optimization, et cetera?

Steven H. Temares
CEO & Director

It's going to be a combination. For now, it was a reduction of SKUs. We're taking thousands of SKUs off if we can't get them to the right model for us. But at the same time going forward, as we said, we're developing private label proprietary brands. And the purpose of that is to drive margin opportunity and differentiation in our assortment. Again, getting back to the critical importance of newness and meaningfully differentiating our assortment. This is going to be one of the categories that the customer's going to see. When we talk about Bee & Willow, when we talk about the rollouts of the next 5 private label proprietary brands that we're going to be showing our customers between now and 2020, that will allow us not only to add other additional SKUs, but it's going to allow us to be more profitable in doing so and to be able to bring to the customer something they're not seeing elsewhere.

Steven Paul Forbes
Guggenheim Securities, LLC, Research Division

And just one last follow-up on the number of openings and closings incorporated into the '19 plan.

Robyn M. D’Elia
CFO & Treasurer

We can't provide that further detail. We hadn't shared that in this preliminary view of our '19 model.

Steven H. Temares
CEO & Director

And again, so much of it is -- you've heard the conversation around that we've taken a more aggressive approach to speaking to our landlords. Historically, we believe that we've done a good job with our real estate program, but we've only been talking a few years out on leases or leases that were problematic for us, which were few and far between. Now we're taking the approach with the outside -- with the benefit of outside partner to talk about all our leases. So again, where we end up in '19 is really going to be dependent upon our communication with our landlord vendors, where we come out -- our landlord partners, where we come out in these negotiations. So it's very -- I'd say we'll have a greater color on it clearly as we speak in the next few months, but that's also something that's going to, I think, develop over the course of the year because it's being aggressive the way we should be and having a sense of urgency in how we deal with the company and across the company and -- when it comes to our real estate.

Operator

And our next question comes from Bobby Griffin from Raymond James.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

My first question is on the next-generation stores. You guys have disclosed some favorable metrics with the 40 test stores. I was just curious what you would like to see maybe to accelerate that rollout and have a bigger kind of redo of the core Bed Bath & Beyond stores.

Steven H. Temares
CEO & Director

Yes, again, just so that we remain focused on the fact that these are lab stores and there's a lot of different initiatives going on. The intent is to get those initiatives as they work, whether it relates to our assortment or our virtual merchandising or to the store labor model and to roll them forward into the existing stores. It's not as if one of those stores is going to walk in and see perfection. So again, the things that we're learning and things that we're doing and things that are working, the intent is to get them to other stores and to scale them.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

I guess, the follow-up, what would be the time frame that you would like to get them to other stores and to scale them? Is there workings to maybe speed that up, given some of the success you're seeing early on?

Steven H. Temares
CEO & Director

We like to have them in there 3 years ago. Since we've been working on all of them, then that's not going to be the case. But some of them are out there already. So when we look at some of the things we're doing with the assortment, when we look at putting things together in a collection, our approach to newness or approach to just some of the openness in the store that we wanted, to queue lines or to taking down finger walls or lifestyle across merchandising categories or some of the things we're doing from a labor perspective, all those things have aspects to them that are rolling forward as we speak, because again, is that the intent isn't to work behind-the-scenes on a perfect store and then transfer that in one fell swoop, is to get these wins, and as we go to roll them forward.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

Okay, I appreciate that color. And I guess lastly for me, interest rate ticked up sequentially. Can you just help us understand what exactly drove that? And is the 3Q rate more of the normalized rate we should use going forward?

Robyn M. D’Elia
CFO & Treasurer

The interest expense line item, this is included in the remarks if you go back, that we had a change in our nonqualified deferred compensation plan, the change in investment value, in the market value. And we have a dollar amount that runs through interest expense and an offsetting amount that runs through SG&A. So the net impact on the P&L is 0, but interest expense was a bit higher for the quarter.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

And that will continue going forward?

Robyn M. D’Elia
CFO & Treasurer

No. That was just tied to the change in the value at the end of this quarter.

Steven H. Temares
CEO & Director

Yes, because the 3 components of our interest expense are our bonds and that's fixed every quarter. We have a couple sale leaseback transactions that are small that go through there. And then other than that, it's just the fluctuation in the noncall plan and then whatever interest income we have to offset, which, as our cash balances have gone up and interest rates have gone up, will actually get a bigger offset year-over-year. But usually, the biggest fluctuation could be if the stock market goes up and down and our participants have investments in the stock market. That flows through the interest income expense line and then offset into SG&A, and that's been happening for years.

Operator

And the next question comes from Christopher Horvers from JPMorgan.

Christopher Michael Horvers
JP Morgan Chase & Co, Research Division

So a clarification question. On the 2019 guide, that about $2. If you back out the building gain, is it that you're expecting earnings to actually -- sort of be up a little bit year-over-year? Not trying to hold you to $0.15, but is that accurate? And related to that, as you think about a flat operating margin in 2019, it seems like you're expecting gross margin to still decline but at a much lower pace. Do you expect leverage on operating expenses?

Robyn M. D’Elia
CFO & Treasurer

So the earnings guidance, that will be about the same as this year, meaning same as '18. We are contemplating that including the gain on the sale of the building. So it would be about the same level. And then your second question on the op margin, I think you're indicating what's the variation between...

Steven H. Temares
CEO & Director

Gross margin and SG&A.

Robyn M. D’Elia
CFO & Treasurer

Gross margin and SG&A. Again, we expect more benefit in the SG&A area.

Steven H. Temares
CEO & Director

I mean, at this time, it is still preliminary. We are still putting together the budgets, but we do believe that having an earnings per share next year equal to what it is this year is achievable.

Christopher Michael Horvers
JP Morgan Chase & Co, Research Division

Got it. And then in terms of -- and then as you think about -- like the tax rate implied for the fourth quarter is actually -- it looks like it's lower than the year. So what -- how do you think about like your longer-term tax rate?

Robyn M. D’Elia
CFO & Treasurer

Our tax rate, I guess, with the changes in the Tax Act, should run on average at about 25%. That's what we started this year modeling, and our full your assumption is 24% with the discrete fees we've had to date. So that should be the normalized run rate. But again, you can have discretes any quarter that we hadn't planned on due to settlements of federal or state ongoing audits.

Operator

And the next question comes from Simeon Gutman from Morgan Stanley.

Joshua Kamboj
Morgan Stanley, Research Division

This is Josh Kamboj on for Simeon. In 2019's guidance, what is improving more than you expected today versus sort of is there anything that you might be pulling ahead in terms of strategic plans that you earlier would have done later on after next year?

Steven H. Temares
CEO & Director

Yes, from my perspective, and I guess, everybody could have their perspective on it, because it's across a lot of different line items and a lot of things we're doing in the company. But for me is just that -- we've been -- spent a lot of time and effort reinventing our company. Our earnings peaked, I think, in -- what was it, February 2015, on an earnings per share basis. And we've been reinventing the company. We've been investing heavily in our company over this period of time. And the things that we're doing, we're now -- they're taking root. And we're seeing these things take root, and we're seeing the ability to be more optimistic earlier. We felt comfortable with 2020. Now we're saying earlier. So that's what we're seeing today, but it really is a long -- everything we're doing, when we talk about the things we're doing from an assortment perspective or the things we're doing from a digital perspective or the marketing. We talk about the things we're doing from personalization, when we talk about the technology enhancements, our enterprise order management system, our human capital management system, we talk about the things we're doing with Revionics and our value optimization group, rolling out the point-of-sale, the workforce management. There's so many things that we put into place that now we're starting to see and we're getting the cadence of where we're going to get these benefits, so allows us to be -- we're closer to that time frame, it allows us to have greater visibility. And so that's a shorter term, so that's where we're at.

Joshua Kamboj
Morgan Stanley, Research Division

Just a quick follow-up. The EPS guidance for next year, is it fair to assume that it's based on today's share count? And linked question, you've got a lot of cash on your balance sheet that's built up over time. Can you talk maybe about your plans for that?

Robyn M. D’Elia
CFO & Treasurer

Sure. So our plan for 2019 will be about the same as 2018, assumes a similar buyback cadence to our plans for '18. So no dramatic shifts there. And then in terms of our cash balance, we had been indicating we are planning to build our cash balance. It feels prudent to have cash while we're going through this transformation process. We work with our board regularly on any capital allocation decisions. And to date, we've been utilizing cash to buy back shares.

Joshua Kamboj
Morgan Stanley, Research Division

And then just last one, can you tell us what percentage of your stores are unprofitable today?

Robyn M. D'Elia
CFO & Treasurer

The vast majority of our stores are profitable.

Steven H. Temares
CEO & Director

Yes. But again, just to -- again, so here's the thing, is that we're forward-looking. We've been fortunate that we made good real estate decisions with good forward-looking approaches to them. We assumed a lot of things. But going forward, when we're looking at in states, the starting rate going up and what that means for inflation in terms of wages, when we look at what's the decline in foot traffic in a store, when we look at the visibility and transparency in pricing, what does that mean to our margins? When we look at these things, we're not just looking today. We're making decisions today with our -- within our real estate. And with our real estate, that's looking years out. So today, we're in a good place. But again, we want to make sure that we're in a good place 6 months from now and 2 years from now. And we've acted upon things. And we have, at Bed Bath & Beyond, for example, I don't know, 960 stores or some number thereabout. And our ability to push the business from one store to the other and to retain significant portions of it are enough to make sense of that move is also part of the equation. So you can have a profitable store, but if that declines in profitability, it makes more sense to move the money or the sales into another store. So that's all part of the analysis that's getting done. So although we've been very good and in a good place, we're looking forward and we're looking at what those opportunities are. And we will be aggressive in acting to the degree that our conversations with our landlords don't result in the answers that we're looking for.

Operator

And our next question comes from Curtis Nagle from Bank of America.

Curtis Smyser Nagle
BofA Merrill Lynch, Research Division

So the first one is, I guess, just -- not to belabor a point, but as you guys have sort of stated there, a lot of moving pieces here going into next year. So why did you provide preliminary guidance for '19, given that it is the first -- what would imply the first increase in earnings in many years and gross margins still look like it's been pretty weak? Why not wait another quarter till things settle out a little bit?

Robyn M. D'Elia
CFO & Treasurer

Well, we're comfortable with our plan that we've laid out and how we're executing against that plan. As we mentioned, we're ahead of plan and we felt it was important to share what our view is at this point. And we can provide further details as we get to April.

Eugene A. Castagna
COO & President

Yes, because we had been providing the thought that we would have decrease in earnings per share this year, a further decrease next year and then an increase in 2020. But based on all the planning work we've

done, we're comfortable that, that changed, so we didn't want to obviously repeat the -- what we were thinking that we would have a decrease next year and an increase in this call. We wanted to update that for where we stood today.

Curtis Smyser Nagle
BofA Merrill Lynch, Research Division

Okay. When you say, I guess, you're ahead of your plan, I mean, could you specify what that means? And then just one other quick question, how did the baby business do and did it help comps?

Eugene A. Castagna
COO & President

I mean we're ahead of plan as far as what I just said that our long-term planning was that we would have a decrease in EPS this year, a decrease next year and then starting to see growth the year after. We think we're ahead of plan because we're planning preliminarily not to have that decrease next year, that we're going to start to see improvements enough to be able to flatten out the EPS next year. As far as the baby business, it continues to do well. We have one less competitor there in the market with Babies"R"Us not being in business. And so the baby business across the Bed Bath & Beyond side, baby side, baby stores continues to perform well.

Operator

[Operator Instructions] And our next question comes from Brad Thomas from KeyBanc.

Bradley Bingham Thomas
KeyBanc Capital Markets Inc., Research Division

I guess wanted to follow up on the outlook for SG&A and just sort of stepping back. Obviously, you've been making investments. I guess, how much of an opportunity is there to get better savings simply because you're not making the investments? Are there dollars that you've been spending with vendors or duplicative IT suppliers that will just roll off? And any more color on that would be helpful.

Robyn M. D'Elia
CFO & Treasurer

So we've been calling out for a few quarters that in the SG&A area, we've had incremental spend due to management consulting. And while we've had a number of -- we have a number of ongoing projects with our consultants, we do think some will fall off, maybe a couple will be added in. But net-net in '19 that we would estimate seeing a reduction of about $8 million in the plan.

Bradley Bingham Thomas
KeyBanc Capital Markets Inc., Research Division

Great. And then I think you called out a 30 basis point drag from the BEYOND+ program. I guess, when we think about the run rate of that program, is there any way to quantify what sort of a tailwind it might be for you for margins in 2019?

Robyn M. D'Elia
CFO & Treasurer

Well, the drag comes when we're in this heavy ramp-up period in terms of enrollment, so it's somewhat tied to how many members we'll scale up to. But I wouldn't anticipate a significant change from what we've seen or what we've provided in '19.

Janet M. Barth
Vice President of Investor Relations

And we're continuing to monitor the program and continue our learnings and whatnot. And so as we develop the plan further for BEYOND+, we could make changes that we feel were appropriate to continue to make sure that it's a profitable endeavor and that we continue to see favorable results of it.

Operator

And our next question comes from Peter Benedict from Baird.

Peter Sloan Benedict
Robert W. Baird & Co. Incorporated, Research Division

Just a couple here. Are you able to quantify the calendar shift impact just on the third quarter sales, what that was?

Robyn M. D'Elia
CFO & Treasurer

We haven't quantified the calendar shift or the impact on sales. But we do know that net sales were up 2.6%, and our comp on an apples-to-apples basis was down 1.8%. But the primary driver of the increase to 2.6% was that incremental week of sales post-Thanksgiving.

Peter Sloan Benedict
Robert W. Baird & Co. Incorporated, Research Division

Okay, that makes sense. And then the lab stores, I think you guys said that the lab stores are running mid-single digits maybe better than the base. I was curious, is that -- is the base of the other non-lab stores, so it's running mid-single-digit better than the store base? Or is that -- is that better than the total company kind of comps?

Steven H. Temares
CEO & Director

It's better than the store base. But again, I wouldn't -- there's so many -- that's why we keep saying that these initiatives within the NGS stores are contributing to stores that are showing this because there's different ones in different stores and different degrees. But in the aggregate, they're doing that -- that's what they're doing. Through the third quarter, that's what that was. But again, we're looking at the individual initiatives even more than we're looking at the store. Because even if you look holistically at the stores, it's not necessarily that the customer would identify something at the store. You might have something positive in a store and something that's not working in the store. So again, it's really critical that we get everybody -- trying to get everybody to understand that these are lab stores, and that it's not like you're walking into seeing something that's complete soup-to-nuts and that's -- we expect that, that's just going to tell us something that way. But again, each initiative is being measured and measured in connection with the other initiatives that are going on in that store.

Operator

And our next question comes from Cristina Fernández from Telsey Advisory Group.

Cristina Fernández
Telsey Advisory Group LLC

I wanted to ask a question on the home furnishings initiative. Can you talk about, on the 70 stores where you have the expanded SKUs, are those home furnishing sales driving a lift to other parts of the store? That's one part. And then the second part, as you add the 6 private label brands over the next year or 2, like how -- can you help us quantify how many incremental SKUs that will add to that assortment?

Steven H. Temares
CEO & Director

What was the second part of the question? I'm sorry, Cristina.

Cristina Fernández
Telsey Advisory Group LLC

So you talked about adding 6 brands over the next year or 2 on the home furnishing side, help us quantify like how many additional SKUs that would add to the total home furnishings category.

Steven H. Temares
CEO & Director

Yes, again, first of all, I don't have it at my fingertips, so I couldn't answer that. And I'm not sure that we've shared it or it's fully developed yet, because again, some of this is still very much a work in progress. With regard to the first question, which was the 70 stores, is that what the first question was? Is it driving...

Robyn M. D'Elia
CFO & Treasurer

Our lift to the rest of the stores.

Steven H. Temares
CEO & Director

Yes, so again, we have 2 things going on. We have -- merchandise in the decorative furnishings area that's cash and carry. That's treasure hunt, it's in and out. And again, that continues to do well. And we're going to continue to upgrade that assortment. And I think as we move into this January, February, we're going to even see that assortment improve. And then simultaneously, we have stores that have furniture vignettes which are not things that people are buying and carrying out of the store, but it's where the sales associates help or can get you something, which you can order from Beyond store. But we introduce you to this category and you go home and buy it online. And that's today in 70 stores -- that's the 70 store number, and that will be expanded to 140, 150 stores over the course of 2019. So again, 2 different things. The treasure hunt primarily could be found in the lab stores. The furniture vignettes could be found in, for the most part, additional stores, in additional 70 stores to soon become 150.

Operator

And our next question comes from [John Quinn] from Deutsche Bank.

Unknown Analyst

Just one quick clarification on the 2019 guidance preliminary, and I apologize if I missed this. But just wanted to be clear, as you're including that $0.16 in the $2 this year, are there any real estate gains or anything onetime in nature that's contemplated for next year going forward?

Robyn M. D'Elia
CFO & Treasurer

We don't have any onetime transactions contemplated for next year.

Steven H. Temares
CEO & Director

And just so we're clear on the real estate again, it was part of our plan this year. It's not part of any real estate. But we do have a vast -- I guess, 4 million square feet of real estate, is that correct, that we own.

Robyn M. D'Elia
CFO & Treasurer

Yes.

Steven H. Temares
CEO & Director

And again, this particular piece that we sold, we were no longer operating this. So we sold it. It's not part of what we do selling real estate. But again, to the extent that we've made good real estate decisions, and looking across the 4 million square feet we have, I think generally speaking, we've made very good decisions as regards to real estate. So there's a good opportunity there, but it's not part of the plan.

Unknown Analyst

Okay. And just one other quick one. Just trying to do the math just as it relates to that. So if you take the $0.16 out and kind of put the numbers through based on your comp guidance, it seems like that would imply maybe margin's down a little bit. I just was -- that's why I was wondering if there was something I was missing on the operating -- the flattish operating margin guidance.

Robyn M. D'Elia
CFO & Treasurer

No, the flattish operating margin guidance contemplates that the building sale was in 2018. And that sale of that real estate was contemplated in our model for 3Q and for our full year when we provided guidance last quarter.

Operator

And our last question will come from Greg Melich from MoffettNathanson.

Gregory Scott Melich
MoffettNathanson LLC

Digital, is it still mid-teens percent of sales? And I'm -- sort of back end, so maybe it was up 20% given that the stores were down mid-single-digits. Does that make sense?

Robyn M. D'Elia
CFO & Treasurer

We just experienced a strong growth in our customer-facing digital channels for the quarter.

Gregory Scott Melich
MoffettNathanson LLC

But you don't want to give a number to it or...

Eugene A. Castagna
COO & President

Yes. I mean, a part of what we're doing looking forward is, for example, Steve's mentioned before that we pulled some products that were not making money on the web off. And we're looking at all areas of our business. A part of it may include increasing or decreasing advertising in certain areas where we're seeing the profits. And so as far as giving a number for the digital increase every year, I mean, strong obviously means positive comps, but we haven't really gone into what percent exactly it is.

Gregory Scott Melich
MoffettNathanson LLC

So we'll get the strong double-digit. I'll make that a MoffettNathanson estimate.

Steven H. Temares
CEO & Director

Just again, not to be difficult, but again, just to add and as you talk about that, we're moving away from it because the levers we're pulling, whether it be taking SKUs off or whether it's that would change the business rules for Beyond store and web transactions, if we change free shipping thresholds. So again, as we have this bias towards profitability, getting locked into this businesses growing more or less, it's more important that we're growing the profitability of that business. So again, we're not trying to be difficult, but then we don't want to lock into that -- to being the significant thing to measure.

Gregory Scott Melich
MoffettNathanson LLC

Great. And there's 2 other things real quick. Did I hear that in your plan for next year, it also included some potential asset sales or no?

Robyn M. D’Elia
CFO & Treasurer

No, it does not include it.

Gregory Scott Melich
MoffettNathanson LLC

That was all about this year. And then last, I hate to have an accounting question. But have you taken a look at -- or how do you think any preliminary estimates as to the new accounting could play out in terms of bringing the leases on balance sheet next year?

Robyn M. D’Elia
CFO & Treasurer

We have been working through that process. We've implemented new software to take the burden off the accounting team and make it easier administratively to be able to quantify that impact. But essentially, the rent expense going into next year will be the same. It should be at the same level, and it will gross up the balance sheet. And our preliminary estimate was about $2 billion, but we're still working through the details.

Gregory Scott Melich
MoffettNathanson LLC

So we came out to about 2 turns of leverage added, and that sounds about right? You got it up to $2 billion, just using the multiple rent?

Robyn M. D’Elia
CFO & Treasurer

Yes.

Operator

I'll now turn the call back over to Janet Barth for final remarks.

Janet M. Barth
Vice President of Investor Relations

Thank you, Adrienne, and thank you all for joining us today. We look forward to speaking with you again on April 10 when we report our fiscal 2018 fourth quarter results. Have a good night.

Operator
Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating, and you may now disconnect.

EXHIBIT B

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) **April 21, 2019**

BED BATH & BEYOND INC.
(Exact name of registrant as specified in its charter)

New York	0-20214	11-2250488
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

650 Liberty Avenue, Union, New Jersey 07083
(Address of principal executive offices) (Zip Code)

(908) 688-0888
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☒ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On April 21, 2019, the Board of Directors (the "Board") of Bed Bath & Beyond Inc. (the "Company") appointed each of Harriet Edelman, Harsha Ramalingam, Andrea M. Weiss, Mary A. Winston and Ann Yerger as an independent director of the Company, effective as of May 1, 2019. Ms. Edelman, Ms. Weiss, Ms. Winston, Ms. Yerger and Mr. Ramalingam will each serve until the Company's 2019 annual meeting of shareholders, when she or he is expected to stand for re-election to the Board by a vote of the Company's shareholders. None of Ms. Edelman, Ms. Weiss, Ms. Winston, Ms. Yerger and Mr. Ramalingam has been appointed as a member of any committee of the Board at this time; however, the Company expects to appoint some or all of these new directors to one or more committees of the Board in the future.

Ms. Edelman, Ms. Weiss, Ms. Winston, Ms. Yerger and Mr. Ramalingam will each be compensated in accordance with the Company's standard compensation policies and practices for its non-employee directors (pro-rated based on start date), which are generally described in the Company's proxy statement for its 2018 annual meeting of shareholders.

No family relationships exist between any of Ms. Edelman, Ms. Weiss, Ms. Winston, Ms. Yerger or Mr. Ramalingam and any of the Company's other directors or executive officers. There are no arrangements or understandings pursuant to which any of Ms. Edelman, Ms. Weiss, Ms. Winston, Ms. Yerger or Mr. Ramalingam was elected as a director, and there are no related party transactions between the Company and any of Ms. Edelman, Ms. Weiss, Ms. Winston, Ms. Yerger or Mr. Ramalingam reportable under Item 404(a) of Regulation S-K.

On April 21, 2019, Warren Eisenberg and Leonard Feinstein transitioned to the role of Co-Founders, Co-Chairmen Emeriti of the Board, effective immediately. As part of this transition, Patrick R. Gaston was appointed Independent Chairman of the Board, effective immediately. As a result of this transition, Mr. Eisenberg and Mr. Feinstein ceased to be officers of the Company effective as of April 21, 2019.

On April 21, 2019, the Board accepted the resignations of Warren Eisenberg, Leonard Feinstein, Dean Adler, Stanley Barshay, Klaus Eppler, Jordan Heller and Victoria Morrison from the Board, effective as of May 1, 2019. None of Mr. Eisenberg, Mr. Feinstein, Mr. Adler, Mr. Barshay, Mr. Eppler, Mr. Heller or Ms. Morrison resigned as a result of any disagreement with the Board, the Company or its management on any matter relating to the Company's operations, policies or practices.

On April 21, 2019, the Board also approved the creation of the Business Transformation and Strategic Review Committee as a new committee of the Board. The Committee will include both new and incumbent directors. In addition, on April 21, 2019, the Board appointed Virginia Ruesterholz as Chairwoman of the Nominating and Corporate Governance Committee.

A copy of the press release issued by the Company on April 22, 2019 regarding the above is filed as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference into this Item 5.02.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

On April 21, 2019 and effective on the same date, the Board amended the Amended By-laws of the Company (the "By-Law Amendment"). The By-Law Amendment allows the Company to appoint a Director Emeritus or Chairman Emeritus and removes the requirement that the Chairman of the Board be considered an executive officer of the Company.

The foregoing description is qualified in its entirety by reference to the full text of the By-law Amendment, a copy of which is attached hereto as Exhibit 3.1.

Item 8.01 Other Events.

On April 22, 2019, the Company also published an Investor Presentation regarding the changes described in Item 5.02. A copy of the Investor Presentation is attached hereto as Exhibit 99.2 and is incorporated herein by reference. Additionally, the Company has posted the Investor Presentation on the investor relations section of its website at www.bedbathandbeyond.com.

Important Information

Bed Bath & Beyond Inc. (the "Company") intends to file a definitive proxy statement and associated proxy card in connection with the solicitation of proxies for the Company's 2019 Annual Meeting with the Securities and Exchange Commission (the "SEC"). Details concerning the nominees of the Company's Board of Directors for election at the 2019 Annual Meeting will be included in the Proxy Statement. BEFORE MAKING ANY VOTING DECISION, INVESTORS AND SHAREHOLDERS OF THE COMPANY ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH OR FURNISHED TO THE SEC, INCLUDING THE COMPANY'S DEFINITIVE PROXY STATEMENT AND ANY SUPPLEMENTS THERETO, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors and shareholders will be able to obtain a copy of the definitive proxy statement and other documents filed by the Company free of charge from the SEC's website, www.sec.gov. The Company's shareholders will also be able to obtain, without charge, a copy of the definitive proxy statement and other relevant filed documents by directing a request by mail to Bed Bath & Beyond Inc. at 650 Liberty Avenue Union, New Jersey 07083, by contacting the Company's proxy solicitor, D.F. King & Co., toll-free at 1 (888) 777-0320 or at bbby@dfking.com, or from the investor relations section of the Company's website at www.bedbathandbeyond.com.

Participants in the Solicitation

The Company, its directors and certain of its executive officers will be deemed participants in the solicitation of proxies from shareholders in respect of the 2019 Annual Meeting. Information regarding the names of the Company's directors and executive officers and their respective interests in the Company by security holdings or otherwise is set forth in the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2018, filed with the SEC on May 2, 2018, the Company's quarterly reports on Form 10-Q filed with the SEC on July 6, 2018, October 10, 2018 and January 9, 2019, the Company's Current Report on Form 8-K filed with the SEC on June 5, 2018 and the Company's definitive proxy statement for the 2018 Annual Meeting of Shareholders, filed with the SEC on May 31, 2018. To the extent holdings of such participants in the Company's securities have changed since the amounts described in the proxy statement for the 2018 Annual Meeting of Shareholders, such changes have been reflected on Initial Statements of Beneficial Ownership on Form 3 or Statements of Change in Ownership on Form 4 filed with the SEC. These documents can be obtained free of charge from the sources indicated above. Additional information regarding the interests of these participants in any proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will also be included in any proxy statement and other relevant materials to be filed with the SEC, if and when they become available.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

Exhibit No.	Description
3.1	Amendment to By-Laws of Bed Bath & Beyond Inc.
99.1	Press Release issued by Bed Bath & Beyond Inc. on April 22, 2019.
99.2	Investor Presentation for the fiscal fourth quarter ended April 22, 2019.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BED BATH & BEYOND INC.
(Registrant)

Date: April 22, 2019

By: /s/ Allan N. Rauch
Allan N. Rauch
Chief Legal Officer and General Counsel

EX-3.1 2 a19-8691_2ex3d1.htm EX-3.1

Exhibit 3.1

Effective April 21, 2019, Bed Bath & Beyond Inc. amended its Amended By-Laws by inserting the following as Article III, Section 19 thereof:

Section 19. Director and Chairman Emeritus. The Board of Directors may, from time to time in its discretion, by majority vote, designate one or more of its former directors a Director Emeritus or, in the case of a former Chairman of the Board, a Chairman Emeritus. Each such designation shall be for such term as is determined by a majority of the Board of Directors or until such Director Emeritus' or Chairman Emeritus' earlier death, resignation, retirement or removal (for any reason or no reason by a majority of the Board of Directors). Each Director Emeritus and Chairmen Emeritus may be re-appointed for one or more additional terms. Directors Emeritus and the Chairmen Emeritus may attend board meetings as and when invited by the Board of Directors and attend meetings of any committee of the Board of Directors as and when invited by the committee, but they shall not be entitled to notice of any such meetings or to vote or be counted for quorum purposes at any such meetings. If present, Directors Emeritus and the Chairmen Emeritus may participate in the discussions occurring at such meetings. Any person holding the position of Director Emeritus or Chairman Emeritus shall not be considered a director or officer for any purpose, including the corporation's Certificate of Incorporation and bylaws, applicable federal securities laws and the New York Business Corporation Law, as it may be amended (the "NYBCL"), and a Director Emeritus or Chairman Emeritus shall have no power or authority to manage the affairs of the Corporation. Directors Emeritus and the Chairman Emeritus shall not have any of the responsibilities or liabilities of a director or officer of the Corporation under the NYBCL, nor any of a director's or officer's rights, powers or privileges in their capacities as Directors Emeritus or Chairman Emeritus. Reference in these By-laws to "directors" or "officers" shall not mean or include Directors Emeritus or the Chairman Emeritus. Directors Emeritus and the Chairman Emeritus will be entitled to receive fees for such service in such form and amount as approved by the Board of Directors, and shall be reimbursed for reasonable travel and other out-of-pocket business expenses incurred in connection with attendance at meetings of the Board of Directors and its committees. Directors Emeritus and the Chairman Emeritus shall remain subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended, and shall remain subject to all of the Corporation's policies applicable to directors. A Director Emeritus and the Chairman Emeritus shall be entitled to benefits and protections in accordance Article V of these By-laws ("Indemnification").

Effective April 21, 2019, Bed Bath & Beyond Inc. also amended and restated Article IV, Section 1 of its Amended By-laws to read in its entirety as follows:

Section 1. Officers. The officers of the Corporation shall include the Chief Executive Officer, the President, one or more Vice Presidents (one or more of whom may be designated as Executive Vice Presidents or as Senior Vice Presidents or by other designations), the Secretary, the Treasurer and such other officers as the Board of Directors may from time to time deem necessary, each of whom shall have such duties, powers and functions as provided in these By-laws and as may be determined from time to time by resolution of the Board of Directors. Two or more offices may be held by the same person; provided, however, that no officer shall execute, acknowledge or verify any instrument in more than one capacity. Each of the officers shall, when requested, consult with and advise the other officers of the Corporation.

EX-99.1 3 a19-8691_2ex99d1.htm EX-99.1

Exhibit 99.1

Bed Bath & Beyond Inc. Announces Transformation of Board of Directors and Additional Governance Enhancements

Appoints Five Independent, Highly Qualified, Diverse Directors to Board

Patrick Gaston Named Independent Chairman

Forming Business Transformation and Strategy Review Committee

UNION, NJ., April 22, 2019 — Bed Bath & Beyond Inc. (Nasdaq: BBBY) (the "Company") today announced that, in response to shareholder feedback and in connection with its commitment to accelerating refreshment at the Board-level, the Company's Board of Directors is transforming; the Board will comprise 10 directors, nine of whom are independent and six of whom are women. The transformed Board will reflect significant diversity across race, gender and ethnicity, and have an average tenure of less than four years. The Company also announced a series of additional governance enhancements.

Specifically, the Company announced that:

- Five current independent directors will step down.
- Co-Founders Warren Eisenberg and Leonard Feinstein have transitioned to the role of Co-Founders, Co-Chairmen Emeriti and will retire from the Board.
- Current Lead Independent Director, Patrick Gaston has been named Independent Chairman, effective immediately.
- The Board will form a Business Transformation and Strategy Review Committee to review all aspects of the Company's business transformation, strategy and structure.
- The Audit and Compensation Committees of the Board will be reconstituted, including the appointment of committee chairs.
- A new executive compensation plan that increases the at-risk component of executive compensation and further aligns compensation with Company performance and long-term shareholder value creation will be adopted. The Company will provide details on its new executive compensation plan in connection with the filing of its proxy statement.

The five newly appointed independent directors, effective May 1, 2019, are:

- Harriet Edelman, current Vice Chairman, Emigrant Bank and former Senior Vice President and Chief Information Officer, Business Transformation, and Senior Vice President, Global Supply Chain of Avon Products Inc.
- Harsha Ramalingam, current senior advisor at Boston Consulting Group, current President and Owner, Ramalingam Consulting and former Global Vice President, e-commerce Platform at Amazon.com, Inc., where he was also responsible for the Chief Information Officer and Chief Information Security Officer (CISO) functions.
- Andrea Weiss, current Founding Partner, The O Alliance Consulting Services and Chief Executive Officer and Founder of Retail Consulting Inc., and former senior executive at dELiA*s, Inc., The Limited Inc., GUESS, Inc., Ann Taylor Stores, Inc. and The Walt Disney Company.
- Mary Winston, current President and Founder, WinsCo Enterprises Consulting Services and former Executive Vice President and Chief Financial Officer at Family Dollar Stores Inc.
- Ann Yerger, current Corporate Governance Specialist, Spencer Stuart North American Board Practice and former Executive Director of the Council of Institutional Investors.

The four continuing independent directors, three of whom have been appointed in the past two years as part of the Board's ongoing refreshment program, are — Stephanie Bell-Rose, Patrick Gaston, Johnathan B. (JB) Osborne and Virginia Ruesterholz. In connection with the new director appointments, Dean Adler, Stanley Barshay, Klaus Eppler, Jordan Heller and Victoria Morrison will step down from the Company's Board, effective May 1, 2019.

Patrick Gaston, who was named Independent Chairman, stated, "As we have communicated to Bed Bath & Beyond shareholders, the Board has been undertaking a comprehensive review of its composition, governance structure and compensation practices. The changes announced today reflect significant shareholder input and underscore our commitment to ensuring we have best-in-class governance.

This Board transformation and refreshed governance structure is rooted in accountability, transparency and collaboration, and as we provide oversight and move the Company forward, we are committed to continuing to act in the best interest of our shareholders."

Mr. Gaston continued, "We are immensely grateful to Dean, Stanley, Klaus, Jordan and Victoria for their leadership, tireless commitment and significant contributions to our Company. Their willingness to step down from the Board to facilitate the acceleration of the Company's governance transformation speaks volumes as to the kind of people they are and their dedication to the Company."

The Company has had multiple discussions with members of the Activist Group, which is composed of Legion Partners, Macellum Capital Management and Ancora Advisors, and has invited them to participate in the Board transformation process and to offer their ideas for business and operational improvement. To date, the Activist Group has declined this invitation, but the Company remains open to engaging in constructive dialogue with them.

Co-Founders Transitioned to Co-Founders, Co-Chairmen Emeriti; Lead Independent Director Named Independent Chairman

In addition, in connection with the Board's transformation plan, Co-Founders and Co-Chairmen of the Board Warren Eisenberg and Leonard Feinstein have transitioned to the role of Co-Founders, Co-Chairmen Emeriti and will retire from the Board, effective May 1, 2019. As part of this transition, Patrick Gaston, current Lead Independent Director of the Board, has been named Independent Chairman, effective immediately.

Creation of Business Transformation and Strategy Review Committee; Reconstitution of Existing Board Committees

The Board is forming a new Business Transformation and Strategy Review Committee to review all aspects of the Company's business transformation, strategy and structure.

To further enhance its independence, organization and leadership responsibilities, the Board also intends to reconstitute the Audit Committee and the Compensation Committee with a mix of new and existing independent directors, including the appointment of committee chairs.

In addition, the Nominating & Corporate Governance Committee was recently reconstituted as follows:

- Virginia Ruesterholz, Chairwoman
- Stephanie Bell-Rose
- Patrick Gaston

Appointment of Five New Independent Directors

Led by the independent directors of the reconstituted Nominating & Corporate Governance Committee, which consists of two of the four shortest tenured independent directors, and with the assistance of leading executive search firm Heidrick & Struggles, the Board conducted an extensive search to identify the five new independent directors.

Ms. Ruesterholz, independent director and recently appointed Chairwoman of the Nominating & Corporate Governance Committee, said, "The changes made to our Board composition take into account the important feedback that we've received following discussion with many of our shareholders over the past year. Our Board is committed to continuing to engage with our shareholders, is open to further input and will continue to assess Board refreshment on an ongoing basis."

Ms. Ruesterholz continued, "We are delighted to welcome five new independent directors with such extensive business backgrounds and who bring skill sets directly relevant to the ongoing business transformation at Bed Bath & Beyond. As leaders in the fields of global retail, merchandising, technology, logistics, finance and governance, Harriet, Harsha, Andrea, Mary and Ann have been change-agents while serving on other public and private company boards and as members of management teams.

Collectively, their perspectives, experience and expertise will greatly enhance the effectiveness of our Board."

Harriet Edelman, 63

Ms. Edelman brings three decades of global operating experience in consumer goods and financial services. She currently serves as Vice Chairman of Emigrant Bank, where she leads the finance, information technology and credit administrative operations. Prior to joining the bank in 2008 as special advisor to the Chairman, she spent nearly 30 years at Avon Products Inc. touching virtually every function, such as business transformation, marketing, new product development and sales, while serving in various leadership roles, including as Senior Vice President and Chief Information Officer, Business Transformation and Senior Vice President, Global Supply Chain. As Senior Vice President, Global Supply Chain at Avon, she led production and distribution of billions of products annually, and oversaw construction of Avon's new facilities in Latin America, Asia, and Eastern Europe. She has 16 years of corporate governance experience, having served on the boards of Blair Corporation, The Hershey Company, Ariba Inc., and UCB S.A. She currently serves on the boards of Brinker International, Inc. and Assurant, Inc. Ms. Edelman also serves on the Board of Trustees at Bucknell University as Vice Chairman, and serves as a member of the Executive, Finance and Nominating & Governance Committees.

Ms. Edelman received a Bachelor of Music from Bucknell University and an MBA in Marketing and Operations Research at the Fordham Gabelli School of Business.

Ms. Edelman said, "Consumer goods businesses have been central to my career, and I am honored to join the Board of an industry pioneer such as Bed Bath & Beyond. As a frequent customer, I have long admired the Company for its products and services, and its customer-first approach to conducting business. I look forward to leveraging my background in marketing, technology and supply chain management, as well as experience serving public company boards, to help deliver on the Company's continued transformation."

Harsha Ramalingam, 60

Mr. Ramalingam, who currently serves as a senior advisor at Boston Consulting Group and who is the President and Owner of his own consulting firm, brings over 30 years of operational leadership experience and global expertise in areas including information technology and internet software. He has previously served in various leadership roles at Amazon.com, Inc., including as Global Vice President of the e-commerce Platform Group, which included ownership of the Chief Information Officer and CISO Functions, and also as a member of the Consumer Leadership Team responsible for the Company's consumer business. During his tenure of just under seven years as a senior executive at Amazon.com, Inc., the Company grew from less than $20 billion in revenue to over $100 billion. Mr. Ramalingam also spent six years at EMC Corporation, including as Vice President, Products and Operations of EMC's SaaS/Cloud business, where he was responsible for R&D, product and program management, financing, and technical and business operations from conception to launch. While at EMC, he successfully executed EMC's acquisition and integration of Mozy. He spent the earlier part of his career in various information management and technology roles. Mr. Ramalingam previously served on the board of Intralinks Inc.

Mr. Ramalingam received a Bachelor of Technology from the Indian Institute of Technology, an MBA in General Management from the Indian Institute of Management and received an Executive Education at Stanford University Graduate School of Business.

Mr. Ramalingam said, "It is a privilege to be appointed to the Bed Bath & Beyond Board. The Company has many positive digital initiatives underway to improve and enhance the customer experience through e-commerce, consistent with the retail industry's evolving needs. I am eager to work with my fellow Board members and the management team, and believe my consumer and technology experience, including while at Amazon.com, will lend itself well to capitalizing on the many opportunities for growth."

Andrea Weiss, 64

Ms. Weiss was an early innovator in multi-channel commerce and brings nearly 30 years of entrepreneurial leadership experience in the retail industry, currently serving as Founding Partner of The O Alliance, LLC and Chief Executive Officer and Founder of Retail Consulting Inc. She is recognized as a pioneer in creating a seamless customer experience, and has been a key player in transforming retail into the digital space. She also has extensive experience developing high-level business strategy and tactical execution plans, including implementing turnaround initiatives for leading brands in the U.S. and Europe. She has held executive leadership roles at dELiA*s, Inc., The Limited Inc., GUESS, Inc., Ann Taylor Stores, Inc. and The Walt Disney Company. Ms. Weiss is a National Association of Corporate Directors (NACD) Board Governance Fellow and was named to the NACD Top 100 Best Public Directors in 2016. Ms. Weiss previously served on the boards of GSI Commerce, Pep Boys, Chico's FAS, Inc. and Nutrisystem, Inc. She currently serves as a director on the boards of Cracker Barrel Old Country Store, Inc. and RPT Realty.

Ms. Weiss received a Bachelor of Fine Arts from Virginia Commonwealth University and a Masters of Administrative Science from The Johns Hopkins University. She also completed post-graduate studies at Harvard Business School and The Kellogg School at Northwestern University.

Ms. Weiss said, "In today's omnichannel retail environment, it is critical to be agile and to collaborate across functions to drive faster decision making to enhance results. Bed Bath & Beyond is making strides in this regard and is poised to continue innovating and accelerating to meet customers' complex needs. As a long time Bed Bath & Beyond customer myself and having spent my entire career in the retail industry leading transformation, I look forward to bringing my expertise to bear as the Company continues to execute against its transformation plan."

Mary Winston, 57

Ms. Winston is a seasoned executive with significant governance expertise across a broad range of industries, having served on large public company boards and audit committees for many years. She has a strong background in all aspects of finance and accounting, as well as experience in M&A, corporate strategy, cost restructuring programs, corporate governance/compliance, and investor relations/communications. Among other roles, she has served as Executive Vice President and Chief Financial Officer at Family Dollar Stores Inc., Senior Vice President and Chief Financial Officer at Giant Eagle, Inc., Executive Vice President and Chief Financial Officer at Scholastic Corporation, Vice President and Controller of Visteon Corporation and Vice President, Global Financial Operations at Pfizer Inc. in the Pharmaceuticals Group. Ms. Winston currently serves as President at WinsCo Enterprises Inc., a financial and board governance consulting firm. She has served on the boards of Plexus Corp and SuperValu Inc. and is currently a member of the boards of Acuity Brands, Inc., Domtar Corporation and Dover Corporation.

Ms. Winston received a Bachelors degree of Accounting from the University of Wisconsin, an MBA in Finance, Marketing and International Business from Northwestern University's Kellogg Graduate School, and is a CPA, as well as a NACD Board Leadership Fellow.

Ms. Winston said, "This is an important time for Bed Bath & Beyond as the Company prioritizes profitability and continues its efforts to position itself for long-term growth. As a seasoned Board member and having turned to Bed Bath & Beyond throughout my own life events, I am eager to contribute as a director to the ongoing transformation that will enable the Company to further differentiate itself across channels, brands and locations well into the future."

Ann Yerger, 57

Ms. Yerger spent nearly 20 years with the Council of Institutional Investors (CII), including ten years in leadership as CII's Executive Director. CII is a nonprofit, nonpartisan association of asset owners, asset managers and other service providers representing assets under management of approximately $40 trillion focused on effective corporate governance practices. Previously, Ms. Yerger was the Investor Responsibility Research Center's Deputy Director for Corporate Governance Service. Ms. Yerger's deep

corporate governance and shareholder-oriented work also includes service as an advisor to Spencer Stuart's North American Board Practice group, which helps companies strengthen their boards and improve their effectiveness, a member of Grant Thornton's Audit Quality Advisory Council, executive director of EY's Center for Board Matters, and as a member of the Investor Advisory Group of the Public Company Accounting Oversight Board, the Investor Advisory Committee of the U.S. Securities and Exchange Commission, Weinberg Center for Corporate Governance Advisory Board, the Nasdaq Listing and Hearing Review Council and the U.S. Treasury Department's Advisory Committee on the Auditing Profession. She has also testified before Congressional committees on important corporate governance and investor protection issues. ICGN, the International Corporate Governance Network, previously awarded Ms. Yerger with the "ICGN Award for Excellence in Corporate Governance," which is granted for exceptional achievements towards improving corporate governance, in recognition of her work in galvanizing investor collaborative initiatives resulting in significant advances in American corporate governance over 25 years. She has also been included multiple times on the NACD's list of the 100 most influential corporate governance professionals. She is a NACD Board Leadership Fellow and an independent director of Hershey Entertainment and Resorts Company and chairs its Governance Committee and serves on the Compensation and Executive Organization Committee.

Ms. Yerger received a Bachelor of Arts in Economics from Duke University and an MBA from Tulane University. She is a CFA charterholder.

Ms. Yerger said, "I was attracted to the Bed Bath & Beyond Board because of the Company's commitment to transform its corporate governance and strengthen its engagement with shareholders. Bed Bath & Beyond is making important changes to its Board and across the business, and I look forward to contributing to the Company's ongoing transformation."

Bed Bath & Beyond Continuing Directors

Stephanie Bell-Rose, 61

Ms. Bell-Rose is a Senior Managing Director at TIAA and Head of the TIAA Institute, which produces original research and insights on issues pertaining to financial security and organizational effectiveness in the educational, nonprofit and public sectors. Before joining TIAA in 2010, Ms. Bell-Rose served as a managing director at The Goldman Sachs Group, Inc. and president of its foundation, and as counsel and program officer at the Andrew W. Mellon Foundation. She is a Trustee of The John S. and James L. Knight Foundation, the Council on Foundations and the Public Welfare Foundation. Ms. Bell-Rose is also a member of the Council on Foreign Relations, the Executive Leadership Council, the Economic Club of New York, and the Women's Forum of New York, and she is Trustee Emerita of the Barnes Foundation and Honorary Trustee of the American Museum of Natural History.

Ms. Bell-Rose's leadership experience across a number of sophisticated organizations brings an important set of insights to our Board. In addition, her background in organizational effectiveness and her experience in participating, at a senior level, in business transformations in a variety of settings, is particularly beneficial in the context of the Company's ongoing transformation.

Patrick Gaston, 61

Mr. Gaston is Chief Executive Officer of Gaston Consulting, which focuses on building public/private partnerships that addresses issues related to corporate responsibility, sustainability, diversity and social and economic change for businesses, the public sector and civil society. He also served as an adjunct professor of business management at the Community College of Denver from 2017 through 2018. Prior to that, he was President of the Western Union Foundation (2013 - 2016) and initiated a workforce education program focused on youth and women throughout the world. From January to December 2012, he was the Chief Executive Officer of Gastal Networks, LLC, a consulting firm specializing in corporate social responsibility initiatives. From January to December 2011, he served a one-year term as Executive in Residence and Senior Advisor with the Clinton Bush Haiti Fund to support the rebuilding efforts in Haiti. Until January 2011, Mr. Gaston was President of the Verizon Foundation since 2003. Mr. Gaston pioneered the creation of a corporate social responsibility program and created a consumer advisory board focused on external stakeholder engagement on governance, public policy and community

investment matters. Prior to assuming that position, Mr. Gaston held a variety of management positions at Verizon Communications Inc. and its predecessors since 1984, including positions in operations, marketing, human resources, strategic planning and government relations. He has been a director of the Company since 2007.

Among other things, Mr. Gaston brings to the Board experience with respect to very large and complex public companies as well as extensive strategic planning and stakeholder engagement experience. He has worked with local, national and international organizations through his non-profit work. He currently volunteers as a member on five non-profit boards focusing on education, reforestation and youth development.

JB Osborne, 38

Mr. Osborne is the CEO of Red Antler, a branding company, which he co-founded in 2007, which was named one of Fast Company's Most Innovative in Marketing & Advertising. Leading a multi-disciplinary team of strategists, designers, marketers and engineers with his co-founders at Red Antler, Osborne has helped define a new generation of products and services that people love. Since 2007, he has worked with founders of top, fast-growing companies across categories including Casper, Allbirds, Brandless, Betterment and Boxed, advising them on how to build category-defining experiences. In addition, Osborne oversees Red Antler's operations and venture partnerships, and frequently speaks to venture portfolios, accelerators, and at conferences about the role of brand in building a category leading business. Osborne was selected as one of WWD's (Women's Wear Daily) 40 under 40 in fashion and retail in 2017, and was also selected as one of Forbes' Consumer Catalysts: 2017's Top Dealmakers and Influencers in the Consumer Industry.

Prior to founding Red Antler, Osborne opened the New York office of Consortium, a boutique creative shop based in Auckland, New Zealand. He began his career at advertising agency Saatchi & Saatchi working with global brands. Among other things, Mr. Osborne brings to the Board experience in and knowledge of branding, marketing and communications, as well as broad experience in the emerging technologies and data analytics utilized in digital marketing.

Virginia Ruesterholz, 57

Ms. Ruesterholz most recently served as Executive Vice President, Strategic Initiatives of Verizon Communications Inc. She was previously President of Verizon Services Operations, a $10 billion global shared-services business group with over 25,000 employees that operated Verizon's wireline network as well as the finance operations, real estate and supply chain services that supported all Verizon companies. Prior, Ms. Ruesterholz served as President of Verizon Telecom, where she led the $30 billion wireline unit that served Verizon's domestic consumer, general business and wholesale markets, and where she also oversaw the U.S. rollout of the high-speed fiber optic network known as Fios®. She serves on the Board of Directors of Frontier Communications Corporation and The Hartford Financial Services Group, Inc. She is also a Trustee of Stevens Institute of Technology, where she served as the first female Chair in its 149 year history.

Among other things, Ms. Ruesterholz brings to the Board extensive senior leadership experience at a global organization, as well as broad experience with the type of strategic, operational and financial matters a public company encounters while executing a transformational business plan.

Steven Temares, 60

Mr. Temares has served as Chief Executive Officer of the Company since 2003. He was President and Chief Executive Officer from 2003 to 2006 and was President and Chief Operating Officer from 1999 to 2003. Mr. Temares joined the Company in 1992 and has served as a director since 1999. Mr. Temares has been part of the leadership of the Company throughout its entire history as a public company.

Having served as our CEO since 2003, Mr. Temares' extensive knowledge of, and passion for, the Company and its wide-ranging operations are invaluable to the Board. Mr. Temares has guided the Company through a prolonged period of growth that established its competitive position, and today is

leading the Company through an extensive transformation in pursuit of its mission to be trusted by customers as the expert for the home and heart-felt life events.

Additional Materials

In connection with this announcement, the Company has made available an Investor Presentation and an infographic on the investor relations section of its website.

Advisors

Goldman, Sachs & Co. is acting as financial advisor to Bed Bath & Beyond, and Wachtell, Lipton, Rosen & Katz is serving as legal counsel.

About the Company

Bed Bath & Beyond Inc. and subsidiaries (the "Company") is an omnichannel retailer that is the trusted expert for the home and heartfelt life events. The Company sells a wide assortment of domestics merchandise and home furnishings. The Company also provides a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, healthcare and other industries. Additionally, the Company is a partner in a joint venture which operates retail stores in Mexico under the name Bed Bath & Beyond.

Forward-Looking Statements

This press release may contain forward-looking statements. Many of these forward-looking statements can be identified by use of words such as may, will, expect, anticipate, approximate, estimate, assume, continue, model, project, plan, goal, and similar words and phrases. The Company's actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include, without limitation: general economic conditions including the housing market, a challenging overall macroeconomic environment and related changes in the retailing environment; consumer preferences, spending habits and adoption of new technologies; demographics and other macroeconomic factors that may impact the level of spending for the types of merchandise sold by the Company; civil disturbances and terrorist acts; unusual weather patterns and natural disasters; competition from existing and potential competitors across all channels; pricing pressures; liquidity; the ability to achieve anticipated cost savings, and to not exceed anticipated costs, associated with organizational changes and investments; the ability to attract and retain qualified employees in all areas of the organization; the cost of labor, merchandise and other costs and expenses; potential supply chain disruption due to trade restrictions, political instability, labor disturbances, product recalls, financial or operational instability of suppliers or carriers, and other items; the ability to find suitable locations at acceptable occupancy costs and other terms to support the Company's plans for new stores; the ability to establish and profitably maintain the appropriate mix of digital and physical presence in the markets it serves; the ability to assess and implement technologies in support of the Company's development of its omnichannel capabilities; uncertainty in financial markets; volatility in the price of the Company's common stock and its effect, and the effect of other factors, on the Company's capital allocation strategy; the impact of goodwill and intangible asset impairments; disruptions to the Company's information technology systems including but not limited to security breaches of systems protecting consumer and employee information or other types of cybercrimes or cybersecurity attacks; reputational risk arising from challenges to the Company's or a third party product or service supplier's compliance with various laws, regulations or standards, including those related to labor, health, safety, privacy or the environment; reputational risk arising from third-party merchandise or service vendor performance in direct home delivery or assembly of product for customers; changes to statutory, regulatory and legal requirements, including without limitation proposed changes affecting international trade; changes to, or new, tax laws or interpretation of existing tax laws; new, or developments in existing, litigation, claims or assessments; changes to, or new, accounting standards; foreign currency exchange rate fluctuations; the integration of acquired businesses; and potential continuing uncertainty arising in connection with the announced intention by certain shareholders to seek control of the Company's Board of Directors. The Company does not undertake any obligation to update its forward-looking statements.

Important Information

Bed Bath & Beyond Inc. (the "Company") intends to file a definitive proxy statement and associated proxy card in connection with the solicitation of proxies for the Company's 2019 Annual Meeting with the Securities and Exchange Commission (the "SEC"). Details concerning the nominees of the Company's Board of Directors for election at the 2019 Annual Meeting will be included in the Proxy Statement. BEFORE MAKING ANY VOTING DECISION, INVESTORS AND SHAREHOLDERS OF THE COMPANY ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH OR FURNISHED TO THE SEC, INCLUDING THE COMPANY'S DEFINITIVE PROXY STATEMENT AND ANY SUPPLEMENTS THERETO, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors and shareholders will be able to obtain a copy of the definitive proxy statement and other documents filed by the Company free of charge from the SEC's website, www.sec.gov. The Company's shareholders will also be able to obtain, without charge, a copy of the definitive proxy statement and other relevant filed documents by directing a request by mail to Bed Bath & Beyond Inc. at 650 Liberty Avenue Union, New Jersey 07083, by contacting the Company's proxy solicitor, D.F. King & Co., toll-free at 1 (888) 777-0320 or at bbby@dfking.com, or from the investor relations section of the Company's website at www.bedbathandbeyond.com.

Participants in the Solicitation

The Company, its directors and certain of its executive officers will be deemed participants in the solicitation of proxies from shareholders in respect of the 2019 Annual Meeting. Information regarding the names of the Company's directors and executive officers and their respective interests in the Company by security holdings or otherwise is set forth in the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2018, filed with the SEC on May 2, 2018, the Company's quarterly reports on Form 10-Q filed with the SEC on July 6, 2018, October 10, 2018 and January 9, 2019, the Company's Current Report on Form 8-K filed with the SEC on June 5, 2018 and the Company's definitive proxy statement for the 2018 Annual Meeting of Shareholders, filed with the SEC on May 31, 2018. To the extent holdings of such participants in the Company's securities have changed since the amounts described in the proxy statement for the 2018 Annual Meeting of Shareholders, such changes have been reflected on Initial Statements of Beneficial Ownership on Form 3 or Statements of Change in Ownership on Form 4 filed with the SEC. These documents can be obtained free of charge from the sources indicated above. Additional information regarding the interests of these participants in any proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will also be included in any proxy statement and other relevant materials to be filed with the SEC, if and when they become available.

CONTACTS:
INVESTOR CONTACT: Janet M. Barth, (908) 613-5820

MEDIA CONTACT: Matthew Sherman / Nick Lamplough, Joele Frank, Wilkinson Brimmer Katcher, (212) 355-4449

EX-99.2 4 a19-8691_2ex99d2.htm EX-99.2

Exhibit 99.2

BED BATH & BEYOND

Announcing Transformation of Board of Directors and Additional Governance Enhancements

April 22, 2019

Building a Better Bed Bath & Beyond

We Are Transforming Our Board and Governance Structure to Support the Transformation of our Business

- ✓ Adding 5 new and independent, highly qualified, and diverse directors
- ✓ Patrick Gaston has been named Independent Chairman
- ✓ 5 existing independent directors will step down from the Board
- ✓ Co-Founders and Co-Chairmen have transitioned to a Co-Chairmen Emeriti status and will retire from the Board
- ✓ Taking into account these recent changes 80% of our board will have joined since 2017 and 80% are of diverse backgrounds
- ✓ Forming a Business Transformation and Strategy Review committee
- ✓ Reconstitution of our independent committee structures, including appointment of committee chairs
- ✓ Will adopt a new executive compensation plan

Bed Bath & Beyond's Governance Transformation is a Direct Result of Our Shareholder Engagement

What We Heard from Shareholders	Taking Action to Enhance Governance
1 **Accelerate Board Refreshment**	✓ Process executed by our recently reconstituted independent Nominating & Governance Committee, led by Chairwoman Virginia Ruesterholz ✓ Engaged Heidrick & Struggles, a leading executive search firm, to identify recent appointees ✓ 5 new independent, highly qualified and diverse candidates appointed to the Board, effective May 1, 2019 ✓ 7 of the longest-tenured directors to leave Board ✓ In total, 8 new directors appointed in past 2 years (80% of the pro forma board)
2 **Enhance the Board With New Skills**	✓ New directors with significant experience in global retail, merchandising, technology, logistics, finance and governance ✓ Highly complementary to existing Board Director qualifications ✓ Bringing with them experience in business transformation and a track record of enhancing shareholder value ✓ Each new director is diverse, and 80% of the Board is diverse, 60% women
3 **Enhance Board Leadership**	✓ Patrick Gaston designated as Board Independent Chairman ✓ Co-Founders and Co-Chairmen transitioned to a Co-Chairmen Emeriti status and will retire from the Board, effective May 1, 2019 ✓ Forming a Business Transformation and Strategy Review Committee to review all aspects of the Company's business transformation, strategy and structure ✓ Audit and Compensation Committees to be reconstituted with a mix of new and existing directors, including committee chairs
4 **Improve Executive Compensation Plan**	✓ Will adopt new executive compensation plan, to be shared in connection with filing of our proxy ✓ Will increase the at-risk component of executive compensation ✓ Further align compensation plan with Company performance and long-term shareholder value creation

BED BATH & BEYOND

Our Highly Independent Board Has Dramatically Evolved

BED BATH & BEYOND 3

The Board is More Independent, More Diverse and Brings Fresh Perspectives

	2016		Current
Independent Directors	70%	→	90%
Average Director Tenure	20 years	→	<4 years
% Diverse Directors	30%	→	80%
Average Director Age	68	→	~58

BED BATH & BEYOND 4

Our Directors Bring Substantial Branding, Retail, Operational and Technology Skills to the Boardroom

	Brand Marketing / Product Merchandising	Corporate Finance/ Capital Markets / Financial Acumen	Industry Experience	International Experience	Operations Management Experience	Public Company Board Service / Corporate Governance	Real Estate	Senior Leadership & Strategic Planning	Technology / Data Security
Patrick Gaston	■	■	■	■	■			■	
Steven Temares	■	■	■	■	■		■	■	
Stephanie Bell-Rose		■		■	■			■	
JB Osborne	■	■	■	■	■			■	■
Virginia Ruesterholz		■		■	■	■	■	■	■
Harriet Edelman	■		■	■	■	■		■	■
Harsha Ramalingam			■	■	■	■		■	■
Andrea Weiss	■		■	■	■	■	■	■	■
Mary Winston		■	■			■		■	
Ann Yerger		■				■		■	
Total	5 / 10	7 / 10	7 / 10	8 / 10	8 / 10	6 / 10	3 / 10	10 / 10	5 / 10

BED BATH & BEYOND

Our New Board Leadership

✓ **Transitions to independent Board Chair leadership**

✓ **New Chairwoman of the Nomination & Corporate Governance Committee**

Patrick Gaston
Independent Chairman

- Chief Executive Officer of Gaston Consulting
- President of the Western Union Foundation (2013-2016)
- President of the Verizon Foundation (2003 – 2011)
- Various management positions at Verizon Communications, Inc. (1984 - 2011)
- Director of BBBY since 2007

Mr. Gaston brings to the Board extensive business and leadership experience in areas such as finance, human resources, public affairs, diversity, and strategic planning.

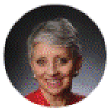
Virginia Ruesterholz
Chairwoman of the Nomination & Corporate Governance Committee

- Executive Vice President – Strategic Initiatives of Verizon Communications (2012)
- President of Verizon Services Operations (2009-2011)
- President of Verizon Telecom (2006-2009)
- Serves on the Board of Frontier Communications Corporation and the Hartford Financial Services Group
- Director of BBBY since 2017

Ms. Ruesterholz's extensive experience with executing a transformational business plan, involving significant investment in technology and related services, is highly relevant.

Bed Bath & Beyond's New Independent Directors (1/3)

Harriet Edelman



- Vice Chairman of Emigrant Bank
  Former SVP, CIO, Business Transformation, and SVP Global Supply Chain at Avon Products
- Director of Brinker International and Assurant
- Former Director of Blair Corporation, The Hershey Company,
- Ariba Inc. and UCB S.A
  Vice Chairman and Member of the Executive, Finance and Nominating & Governance Committees, Bucknell University Board of Trustees

Senior Leadership	Extensive leadership experience with 16 years of corporate governance experience as Vice Chairman of Emigrant Bank
Business Experience	Spent nearly 30 years at Avon Products Inc. where she rose to various leadership positions in virtually every function, including business transformation, marketing, new product development, and sales
Board Experience	Significant public company experience, having served on four boards of directors including current service on the boards of Brinker International and Assurant

Financial Expertise	Brand Marketing	Supply Chain Management

Harsha Ramalingam

- Senior Advisor, Boston Consulting Group and President and Owner of Ramalingam Consulting
- Former Global VP of the e-commerce Platform Group, ownership of the CIO and CISO Functions at Amazon.com, member of Consumer Leadership Team
- VP, Products and Operations, ECM SaaS/Cloud at ECM Corp
- Former Director of Intralinks

Technology Experience	Over 30 years of operational leadership experience and global expertise in areas including information technology and internet software
Business Experience	Led Amazon.com's platform technology organization, including eCommerce, information security, corporate information systems (CIS) and new business incubation
Board Experience	Served on the board of Intralinks, a software provider of secure communications solutions

Cyber Security	Senior Leadership	Global Experience

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Bed Bath & Beyond's New Independent Directors (2/3)

Andrea Weiss

- Founding Partner, The O Alliance Consulting Services
- CEO and Founder of Retail Consulting
- Former executive at dELiA*s, The Limited, GUESS,
- Ann Taylor Stores and The Walt Disney Company
- Director of Cracker Barrel Old Country Store and RPT Realty
- Former Director of GSI Commerce, Pep Boys, Chico's FAS and Nutrisystem

Senior Leadership	Previously held executive leadership roles at **dELiA*s, The Limited, GUESS, Ann Taylor Stores and The Walt Disney Company**
Retail Experience	Early innovator in multi-channel commerce and brings nearly 30 years of entrepreneurial leadership experience in the retail industry, transforming in to the digital space
Board Experience	Significant **public company experience**, having served on four boards including currently on **Cracker Barrel Old Country Store, RPT Realty**

Brand Marketing | **Operation Management** | **Real Estate**

Mary Winston

- President and Founder, WinsCo Enterprises Consulting Services
- Former EVP, CFO, Family Dollar Stores
- Former senior executive at Giant Eagle, Scholastic, Visteon, Pfizer
- Director of Acuity Brands, Domtar and Dover
- Former Director of Plexus Corp and SuperValu

Financial Expertise	Extensive **financial expertise**, having served as the **CFO of Family Dollar Stores, Giant Eagle and Scholastic**
Senior Leadership	Currently serving as the founder of WinsCo Enterprises and previously held executive leadership roles at Family Dollar Stores, Giant Eagle, Scholastic, Visteon and Pfizer
Board Experience	Significant **public company experience**, having served on five boards of directors including currently on the board of **Acuity Brands, Domtar and Dover**

Retail Experience | **Corporate Finance**

BED BATH & BEYOND 8

Bed Bath & Beyond's New Independent Directors (3/3)

Ann Yerger

- Corporate Governance Specialist, North American Board Practice, Spencer Stuart
- Director, Hershey Entertainment and Resorts Company
- Member of Grant Thornton Audit Quality Advisory Council
- Member of Investor Advisory Group of the Public Company
- Accounting Oversight Board, the Investor Advisory Committee of the US Securities and Exchange Commission, Weinberg Center for Corporate Governance Advisory Board, the Nasdaq Listing and Hearing Review Council and the US Treasury Department's Advisory Committee on the Auditing Profession
- Executive Director, EY Center for Board Matters
- Former Executive Director of the Council of Institutional Investors (CII)
- Former IRRC deputy director for the Investor Responsibility Research Center's corporate governance service

Senior Leadership	Extensive leadership experience as a nationally recognized governance specialist in various roles
Governance Experience	Spent nearly 20 years at CII including 10 years in leadership as executive director
Board Experience	Serves on the board of Hershey Entertainment and Resorts Company, chairing the Governance Committee and serving on the Compensation and Executive Organization Committee

BED BATH & BEYOND

Additional Key Governance Initiatives

- ✓ **Will adopt new executive compensation plan in response to shareholder feedback, to be shared in connection with filing of our proxy**
  - Builds upon the ~40% reduction in compensation since 2015
  - Will increase the at-risk component of executive compensation
  - Further alignment with Company performance and long-term shareholder value
- ✓ **Will form Business Transformation and Strategy Review committee**
  - To review all aspects of the Company's business transformation, strategy and structure
- ✓ **Reconstitution of our independent committee structure**
  - Includes the appointment of Chairs for all committees

BED BATH & BEYOND 10

Appendix – Foundation for Significant Transformational Change

Our Mission

To be the trusted expert for the home and heart-felt life events.

BED BATH & BEYOND 12

Bed Bath & Beyond's Strategic Advantages

Strong brands that are trusted by customers with a reputation for quality

- BED BATH & BEYOND
- buybuy BABY
- COST PLUS WORLD MARKET — Unique, authentic and always affordable
- HARMON FACE VALUES
- Christmas Tree Shops andThat!
- Personalization MALL.COM
- decorist
- ONE KINGS LANE NEW YORK
- HARBOR LINEN — A BED BATH & BEYOND COMPANY
- Of a Kind
- T-Y GROUP

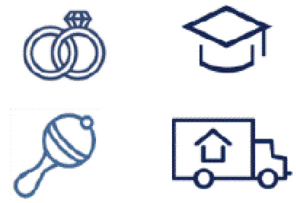
Omni-channel capabilities leveraging both physical and digital assets

1,500+ physical locations across all brands…

…complemented by our digital platforms

Deep expertise in whole home across all important life stages

A solution for every room in the house…



…through every important life stage

Bed Bath & Beyond is Responding to the Challenging and Dynamic Retail Environment

Dynamic Retail Environment

- Dramatic shift to omnichannel – customers demanding a seamless, convenient experience between in-store and digital
- Significant competition with high level of pricing transparency – both to the customer and the retailer
- Customer preference for breadth of offering in both brick & mortar and digital experience
- High level of interest in destinational categories (e.g. bed, bath, kitchen, windows and tabletop) and focus on experiential retail
- Shift from branded items to high-quality private label products

Bed Bath & Beyond's Response

- Complete transformation of Bed Bath & Beyond's business over the past 18 months
- Structural change of our organization and infrastructure
- Investments in IT, analytics, and value optimization to enable data-driven decision making
- Evolution of our in-store and digital customer experience
- Enhancement of our assortment – including new private label brands
- Extensive focus on profitability, down to the item by channel

Key Initiatives in the Multi-Year Transformation plan

Drive Mid-and-Long-term Revenue Growth

- Concept Strategy/ Brand Vision
- Proprietary Brands & Private Label
- Next Gen Lab Store Initiatives
- Front-End Optimization
- Value Optimization

Drive Near-term and Ongoing Gross Margin Improvements

- Merchandise Mix
- Value Optimization
- Coupon Strategy
- Supply Chain Enhancements
- Global Sourcing/ 2nd Sourcing Office in Asia

Drive Near-term and Ongoing SG&A Improvements

- Store Labor Model
- Marketing Efficiency
- Occupancy/Real Estate Optimization

Current and Sustainable World-Class Operational Support

- Reconstructed Team/ Changing How We Work
- Data & Analytics as a Strategic Asset
- IT Transformation/ India Development Center

BED BATH & BEYOND 15

EXHIBIT C

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended March 2, 2019

Commission File Number 0-20214

BED BATH & BEYOND INC.

(Exact name of registrant as specified in its charter)

New York	11-2250488
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

650 Liberty Avenue, Union, New Jersey 07083
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **908/688-0888**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $.01 par value	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No __

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes __ No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes X No__

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer X	Accelerated filer __
Non-accelerated filer __	Smaller reporting company ___
Emerging growth company ___	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes __ No X

As of September 1, 2018, the aggregate market value of the common stock held by non-affiliates (which was computed by reference to the closing price on such date of such stock on the Nasdaq Global Select Market) was $2,340,418,978.*

The number of shares outstanding of the registrant's common stock (par value $0.01 per share) at March 30, 2019: 132,089,269.

Documents Incorporated by Reference

Portions of the Registrant's definitive proxy statement for the 2019 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A are incorporated by reference in Part III hereof.

* For purposes of this calculation, all outstanding shares of common stock have been considered held by non-affiliates other than the 7,593,322 shares beneficially owned by directors and executive officers, including trusts and foundations affiliated with them. In making such calculation, the Registrant does not determine the affiliate or non-affiliate status of any shares for any other purpose.

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PART I

Unless otherwise indicated, the term "Company" refers collectively to Bed Bath & Beyond Inc. and subsidiaries as of March 2, 2019. The Company's fiscal year is comprised of the 52 or 53 week period ending on the Saturday nearest February 28. Accordingly, fiscal 2018, fiscal 2017, and fiscal 2016 represented 52 weeks, 53 weeks, and 52 weeks, respectively, and ended on March 2, 2019, March 3, 2018, and February 25, 2017, respectively. Unless otherwise indicated, all references herein to periods of time (e.g., quarters and years) are to fiscal periods.

ITEM 1 – BUSINESS

Overview

Bed Bath & Beyond Inc. is an omnichannel retailer offering high quality and differentiated products, services and solutions for the home and heart-felt life events. The Company sells a wide assortment of domestic merchandise and home furnishings and operates under the names Bed Bath & Beyond ("BBB"), Christmas Tree Shops, Christmas Tree Shops andThat! or andThat! (collectively, "CTS"), Harmon, Harmon Face Values, or Face Values (collectively, "Harmon"), buybuy BABY ("Baby") and World Market, Cost Plus World Market or Cost Plus (collectively, "Cost Plus World Market"). Customers can purchase products either in-store, online, with a mobile device or through a customer contact center. The Company generally has the ability to have customer purchases picked up in-store or shipped direct to the customer from the Company's distribution facilities, stores or vendors. In addition, the Company operates Of a Kind, an e-commerce website that features specially commissioned, limited edition items from emerging fashion and home designers; One Kings Lane, an authority in home décor and design, offering a unique collection of select home goods, designer and vintage items; PersonalizationMall.com ("PMall"), an industry-leading online retailer of personalized products; Chef Central, a retailer of kitchenware, cookware and homeware items catering to cooking and baking enthusiasts; and Decorist, an online interior design platform that provides personalized home design services. The Company also operates Linen Holdings, a provider of a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, healthcare and other industries, which operates under the names of Harbor Linen and T-Y Group.

The Company operates a robust ecommerce platform consisting of various websites and applications including bedbathandbeyond.com, bedbathandbeyond.ca, harmondiscount.com, facevalues.com, christmastreeshops.com, andthat.com, buybuybaby.com, buybuybaby.ca, harborlinen.com, t-ygroup.com, worldmarket.com, ofakind.com, onekingslane.com, personalizationmall.com, chefcentral.com and decorist.com. The Company also operates an established retail store base which consists of 1,533 stores, as of March 2, 2019, and includes 994 Bed Bath & Beyond ("BBB") stores in all 50 states, the District of Columbia, Puerto Rico and Canada, 277 stores under the names of World Market, Cost Plus World Market or Cost Plus (collectively, "Cost Plus World Market"), 124 buybuy BABY ("Baby") stores in 36 states and Canada, 81 stores under the names Christmas Tree Shops, Christmas Tree Shops andThat! or andThat! (collectively, "CTS"), 55 stores under the names Harmon, Harmon Face Values or Face Values (collectively, "Harmon"), and two One Kings Lane stores. In addition, the Company is a partner in a joint venture which operates ten stores in Mexico under the name Bed Bath & Beyond.

The integration of retail store and customer facing digital channels allows the Company to provide its customers with a seamless shopping experience. In-store purchases are primarily fulfilled from that store's inventory, or may also be shipped to a customer from one of the Company's distribution facilities, a vendor, or another store. Purchases, including web and mobile, can be shipped to a customer from the Company's distribution facilities, directly from vendors, or from a store. The Company's customers can also choose to pick up online orders in a store, as well as return online purchases to a store. Customers can also make purchases through one of the Company's customer contact centers and in-store through The Beyond Store, the Company's proprietary, web-based platform. These capabilities allow the Company to better serve customers across various channels.

The Company accounts for its operations as two operating segments: North American Retail and Institutional Sales. The Institutional Sales operating segment, which is comprised of Linen Holdings, does not meet the quantitative thresholds under U.S. generally accepted accounting principles and therefore is not a reportable segment. Net sales outside of the U.S. for the Company were not material for 2018, 2017 and 2016.

Strategy

Bed Bath & Beyond's mission is to be the trusted expert for the home and heart-felt life events. These include certain life events that evoke strong emotional connections such as getting married, moving to a new home, having a baby, going to college and decorating a room, which the Company supports through its wedding and baby registries, mover and student life programs, and its design consultation services.

To advance its mission, the Company is executing on a comprehensive plan to transform its business and position Bed Bath & Beyond for long-term success. The strategic focus of the transformational initiatives include: product assortment, shopping experience,

services and solutions, and operational excellence. The Company's ongoing efforts to implement and execute on these organization-wide foundational initiatives are intended to drive four key strategic objectives:

- **Mid-and-long-term revenue growth** from portfolio strategy alignment across product assortment, customer experience and customer engagement, including greater focus on growing destinational categories (such as bed, bath, kitchen, windows and tabletop) and proprietary and private-label brands; enhance in-store customer experiences; an enhanced online experience; as well as efforts to assure that the Company's customers are getting the right value for the products they want and need most.

- **Near-term and ongoing gross margin improvements** through changes in assortment mix to drive sales to better margin categories; modifications in pricing algorithms; further optimization of coupon strategy; and supply chain improvements.

- **Near-term and ongoing SG&A improvements** from improvements in store labor model; marketing efficiencies; and reductions in occupancy expense relating to ongoing store lease negotiations.

- **Current and sustainable world-class operational support** through investments in human capital, data and analytics and process improvements; repositioning and articulating the Bed Bath & Beyond brand in the marketplace across all customer interactions including assortment, store and digital experience and marketing; and enhancements in global sourcing capabilities.

To continue the transformational work necessary to execute its comprehensive plan, the Company has been making significant investments in people, processes and technology. The Company's strategy also remains rooted in a customer-first approach and commitment to customer service, while maintaining strong financial discipline. The Company believes it will achieve its mission to be the trusted expert for the home and heart-felt life events**.**

Pricing. The Company believes in offering its customers high quality and differentiated products, services and solutions at the right price and value. The Company regularly monitors price levels at its competitors in order to ensure that its prices are in accordance with its pricing philosophy. The Company believes that the application of its pricing philosophy is a significant factor in its ability to establish trust among customers as the expert for the home and heart-felt life events.

Merchandising. The Company sells a wide assortment of domestics merchandise and home furnishings. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings (including furniture and wall décor), consumables and certain juvenile products. The Company strives to present an exciting and engaging assortment of products to its customers, including name brands, proprietary and exclusive brands, as well as personalized products. The Company pursues product differentiation in several ways, including its own product development, and exclusivity and limited distribution with its vendor partners. Some examples of the Company's proprietary brands include Bee & Willow Home, Wamsutta, Olivia & Oliver, SALT and Artisanal Kitchen Supply. The Company, on an ongoing basis, tests new merchandise categories and adjusts the categories of merchandise carried in-store and online and may add new product categories or expand its merchandise assortment as appropriate. Additionally, the Company has and continues to integrate its merchandise assortments among its concepts.

The Company has been evolving its merchandise mix to provide a more inspirational and personal shopping experience with an expanded offering, which includes a more differentiated product mix, and enhanced services and solutions for customers, both in-store and across its customer facing digital channels.

As consumer shopping preferences continue to shift to customer facing digital channels, the Company believes its investments are driving a better omnichannel experience. The Company continues to improve the presentation and content as well as the functionality, general search and navigation features across its customer facing digital channels. The Company is also adapting its physical channels to further integrate its omnichannel capabilities to enhance the in-store customer experience by bringing products, services and solutions, as well as the Company's brand, to life. This includes services such as reserve online and pickup in-store, purchase online and return in-store, and online appointment scheduling for one of the Company's various registry services.

Marketing. The Company's marketing efforts include a full-range of online and off-line vehicles, including email, mobile SMS, social, search, digital display, content and influencer marketing, online affiliate programs, and public relations efforts, as well as traditional print media such as postcards, newspaper inserts, circulars, and catalogs, all of which sometimes include coupon offers. The Company is making significant investments to further develop and integrate its expansive customer data with other relevant third-party data and technology tools to develop and scale tailored and personalized marketing communications, and strengthen its position as the expert for the home and heart-felt life events.

Customer Service. The Company's customer-first approach is rooted in creating a noticeably better shopping experience for each and every customer. The Company invests in its people and in delivering high-quality products, services and solutions. As part of its objective to take care of its customers, the Company strives to make returns and exchanges hassle-free, whether in store or online. The Company's best-in-class registry services for wedding, baby, college and other heart-felt life events provide a unique opportunity to deepen customer relationships by demonstrating a high level of customer service during important life stages. Also, the Company continues to invest in the technology necessary to enable a more seamless interaction between its associates and its customers wherever, whenever and however they wish to interact with the Company. The Company's customer contact centers provide 24/7 customer service and provide support by phone, email or live chat. During the second quarter of fiscal 2017, the Company opened its newest customer contact center in the Orlando, Florida area. The Company continues to focus its efforts and investments to strengthen its position as a leader in customer service.

Suppliers

The Company purchases substantially all of its merchandise in the United States, the majority from domestic sources (who may manufacture overseas) and the balance from importers. The Company purchases a small amount of its merchandise directly from overseas sources. In fiscal 2018, the Company purchased its merchandise from approximately 11,200 suppliers with its largest supplier accounting for approximately 3% of its merchandise purchases with the 10 largest suppliers accounting for approximately 15% of such purchases. The Company has no long term contracts for the purchases of merchandise. The Company believes that most merchandise, other than brand name goods, is available from a variety of sources and that most brand name goods can be replaced with comparable merchandise.

The Company is in the early stages of expanding its direct importing and direct sourcing capabilities, including the establishment of a second sourcing office in Asia, which opened during fiscal 2018. The Company believes that its expanding global sourcing capabilities will be able to sustain a higher penetration of its own sourced and developed proprietary product in its merchandise assortment.

Distribution

A substantial portion of the Company's merchandise is shipped to stores through a combination of third party facilities, including cross dock locations, or Company operated distribution facilities which are located throughout the United States. The remaining merchandise for stores is shipped directly from vendors. Merchandise is shipped directly to customers from one of the Company's operated distribution facilities, stores or from vendors. The majority of the Company's shipments are made by contract carriers depending upon location.

See "Item 2 – Properties" for additional information regarding the Company's distribution facilities.

Associates

As of March 2, 2019, the Company employed approximately 62,000 regular full-time and part-time associates. The Company believes that its employee relations are very good and that the labor turnover rate among its management employees is lower than that generally experienced within the industry.

Seasonality

The Company's business is subject to seasonal influences. Generally, its sales volumes are higher in the calendar months of August, November and December, and lower in February.

Growth

The Company has undertaken significant change to adapt to the dynamic retail environment and the evolving needs of its customers to improve its competitive position. To support this change, the Company appointed new leaders to bring expertise in the areas of data analytics, supply chain, customer fulfillment, merchandising, life stages, e-commerce, portfolio management and information technology. As a result, the Company believes that it has the necessary management depth to drive growth.

The Company's ongoing transformation plan is expected to improve mid-and-long-term revenue growth, enhance gross and operating margins and create sustainable shareholder value. The strategic focus of the plan includes product assortment, shopping experience, services and solutions, and operational excellence, and the key financial objectives are: mid-and-long-term revenue growth; near-term and ongoing gross margin improvements; near-term and ongoing selling, general and administrative expenses improvements; and current and sustainable world-class operational support.

The continued growth of the Company is dependent, in part, upon the Company's ability to execute its transformation strategy successfully.

From the beginning of fiscal 1992 to the end of fiscal 2018, the Company has grown from 34 stores to 1,533 stores, plus its interactive platforms, including websites and applications, and distribution facilities. Total store square footage, net of openings and closings, grew from approximately 0.9 million square feet at the beginning of fiscal 1992 to approximately 43.1 million square feet at the end of fiscal 2018, and included 17 store openings and 37 closures in fiscal 2018. In fiscal 2019, the Company expects company-wide to open approximately 15 new stores, and close a minimum of approximately 40 stores, unless it can negotiate more favorable lease terms with landlords. Over the past several years, sales from the Company's customer facing digital channels have continued to experience strong growth.

As of March 2, 2019, the Company had distribution facilities totaling approximately 7.2 million square feet, supporting the growth of its customer facing digital channels as well as its stores and its institutional sales segment.

Competition

The Company operates in a highly competitive business environment and competes with other national, regional, local and online retailers that may carry similar lines of merchandise, including department stores, specialty stores, off-price stores, mass merchandise stores and online only retailers. The Company believes the key to competing in its industry is to provide best-in-class customer service and customer experiences in stores and online, which includes a compelling price and value; high-quality and differentiated products, services and solutions; convenience; technology; personalization; and appealing and experiential store environments.

Tradenames and Service Marks

The Company uses the service marks "Bed Bath & Beyond," "buybuy BABY," "Christmas Tree Shops," "andThat!," "Harmon," "Face Values," "Cost Plus," "World Market," "Cost Plus World Market," "Of a Kind," "One Kings Lane," "PersonalizationMall.com," "PMall," "Chef Central," and "Decorist," in connection with its retail services. The Company also uses the service marks "Harbor Linen" and "TY Group" in connection with its institutional sales segment. The Company has registered trademarks and service marks or is seeking registrations for these and other trademarks and service marks with the United States Patent and Trademark Office. In addition, the Company has registered or has applications pending with the trademark registries of several foreign countries, including having registered the "Bed Bath & Beyond" name and logo in Canada and Mexico and having registered the "buybuy BABY" name and logo in Canada. The Company also owns a number of product trademarks. The Company files patent applications and seeks copyright registrations where it deems such to be advantageous to the business. The Company believes that its name recognition and service marks are important elements of the Company's merchandising strategy.

Available Information

The Company makes available as soon as reasonably practicable after filing with the Securities and Exchange Commission ("SEC"), free of charge, through its website, www.bedbathandbeyond.com, the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, electronically filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

ITEM 1A – RISK FACTORS

FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company's actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include the following:

General economic factors beyond the Company's control and changes in the economic climate could adversely affect the Company's performance.

General economic factors that are beyond the Company's control could impact the Company's forecasts and actual performance. These factors include housing markets, recession, inflation, deflation, consumer credit availability, consumer debt levels, fuel and energy costs, interest rates, tax rates and policy, unemployment trends, the impact of natural disasters, civil disturbances and terrorist activities, foreign currency exchange rate fluctuations, conditions affecting the retail environment for products sold by the Company and other matters that influence consumer spending. Changes in the economic climate could adversely affect the Company's performance.

The Company operates in the highly competitive retail business where the use of emerging technologies as well as unanticipated changes in the pricing and other practices of competitors may adversely affect the Company's performance.

The retail business is highly competitive. The Company competes for customers, employees, locations, merchandise, technology, services and other important aspects of the business with many other local, regional and national retailers. Those competitors range from specialty retailers to department stores and discounters as well as online and multichannel retailers. Specifically, rapidly evolving technologies are altering the manner in which the Company and its competitors communicate and transact with customers. The Company's execution of the elements of its transformation strategy designed to adapt to these changes, in the context of competitors' actions, customers adoption of new technology, and related changes in customer behavior, presents a specific risk in the event the Company is unable to successfully execute its plans or adjust them over time if needed. Further, unanticipated changes in pricing and other practices of the Company's competitors, including promotional activity, such as thresholds for free shipping and rapid price fluctuation enabled by technology, may adversely affect the Company's performance.

The Company's failure to anticipate and respond in a timely fashion to changes in consumer preferences and demographic factors may adversely affect the Company's financial condition and results of operations.

The Company's success depends on its ability to anticipate and respond in a timely manner to changing merchandise trends, customer demands and demographics. The Company's failure to anticipate, identify or react appropriately to changes in customer tastes, preferences, shopping and spending patterns and other life interest decisions could lead to, among other things, excess inventories or a shortage of products and may adversely affect the Company's financial condition and results of operations.

Unusual weather patterns could adversely affect the Company's performance.

The Company's operating results could be negatively impacted by unusual weather patterns. Frequent or unusually heavy snow, ice or rain storms, hurricanes, floods, tornados or extended periods of unseasonable temperatures could adversely affect the Company's performance.

A major disruption of the Company's information technology systems could negatively impact operating results.

The Company's operating results could be negatively impacted by a major disruption of the Company's information technology systems. The Company relies heavily on these systems to process transactions, manage inventory replenishment, summarize results and control distribution of products. Despite numerous safeguards and careful contingency planning, these systems are still subject to power outages, telecommunication failures, cybercrimes, cybersecurity attacks and other catastrophic events. A major disruption of the systems and their backup mechanisms may cause the Company to incur significant costs to repair the systems, experience a critical loss of data and/or result in business interruptions.

A breach of the Company's data security systems or those of its third party service providers could have a negative impact on the Company's operating results and financial performance due to possible loss of consumer confidence, as well as potential government penalties and private litigation.

The Company processes, transmits, stores and maintains certain information about its customers and employees in the ordinary course of business. In connection with certain activities, including without limitation credit card processing, website hosting, data encryption and software support, the Company utilizes third party service providers, and the Company believes it takes appropriate steps to require such providers to secure such information and to assess their ability to do so. The Company invests considerable resources in protecting this sensitive information but is still subject to a possible security event, including but not limited to cybercrimes or cybersecurity attacks which may not be detected for a period of time. A breach of its security systems or those of its third party service providers resulting in unauthorized access to stored personal information could negatively impact the Company's operating results and financial performance. Certain aspects of the business, particularly the Company's websites, heavily depend on consumers entrusting personal financial information to be transmitted securely over public networks. A loss of consumer confidence from such a breach could result in lost future sales and have a material adverse effect on the Company's reputation. In addition, a breach or other type of cybercrime or cybersecurity attack could cause the Company to incur significant costs to restore the integrity of its data and systems, could require the devotion of significant management resources, and could result in significant costs in government penalties and private litigation.

A failure of the Company's suppliers to adhere to appropriate laws, regulations or standards could negatively impact its reputation.

The Company purchases substantially all of its merchandise in the United States, the majority from domestic sources (who may manufacture overseas) and the balance from importers. The Company purchases a small amount of its merchandise directly from overseas sources. The failure of one of the Company's domestic or foreign suppliers to adhere to labor, environmental, privacy, health

and safety laws, regulations and standards could negatively impact the Company's reputation and have an adverse effect on the Company's results of operations.

Damage to the reputation of the Company in any aspect of its operations could potentially impact its operating and financial results.

The Company's reputation is based, in part, on perceptions of subjective qualities, so incidents involving the Company, its products or the retail industry in general that erode customer trust or confidence could adversely affect the Company's reputation and its business. As the Company increases the number of items it is able to have shipped directly from a vendor to a customer for home delivery or in home assembly, any deficiencies in the performance of these third party merchandise vendors and service providers could also have an adverse effect on the Company's reputation, despite the Company's monitoring controls and procedures. In addition, challenges to the Company's compliance with a variety of social, product, labor and environmental standards could also jeopardize its reputation and lead to adverse publicity, especially in social media. The use of social media by the Company and consumers has also increased the risk that the Company's reputation could be negatively impacted. The availability of information and opinion on social media is immediate, as is its impact. The opportunity for dissemination of information, including inaccurate and inflammatory information and opinion, is virtually limitless. Information about or affecting the Company is easily accessible and rapidly disseminated.

Damage to the reputation of the Company in any aspect of its operations could potentially impact its operating and financial results as well as require additional resources to rebuild its reputation.

Changes in statutory, regulatory, and other legal requirements at a local, state or provincial and national level, or deemed noncompliance with such requirements, could potentially impact the Company's operating and financial results.

The Company is subject to numerous statutory, regulatory and legal requirements at a local, state or provincial and national level, and this regulatory environment is subject to constant change. The Company's operating results could be negatively impacted by developments in these areas due to the costs of compliance in addition to possible government penalties and litigation in the event of deemed noncompliance. Changes in the law or the regulatory environment in the areas of product safety, environmental protection, privacy and information security, wage and hour laws, and international trade policy, among others, could potentially impact the Company's operations and financial results.

Changes to accounting rules, regulations and tax laws, or new interpretations of existing accounting standards or tax laws could negatively impact the Company's operating results and financial position.

The Company's operating results and financial position could be negatively impacted by changes to accounting rules and regulations or new interpretations of existing accounting standards. The Company's effective income tax rate could be impacted by changes in accounting standards as well as changes in tax laws or the interpretations of these tax laws by courts and taxing authorities which could negatively impact the Company's financial results. Such changes would include for example, the possible adoption by the United States of additional tariffs, or the disallowance of tax deductions, with respect to imported merchandise.

New, or developments in existing, litigation, claims or assessments could potentially impact the Company's operating and financial results.

The Company is involved in litigation, claims and assessments incidental to the Company's business, the disposition of which is not expected to have a material effect on the Company's financial position or results of operations. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in the Company's assumptions related to these matters. While outcomes of such actions vary, any such claim or assessment against the Company could potentially impact the Company's operations and financial results.

The success of the Company is dependent, in part, on managing costs of labor, merchandise and other expenses that are subject to factors beyond the Company's control.

The Company's success depends, in part, on its ability to manage operating costs and to look for opportunities to reduce costs. The Company's ability to meet its labor needs while controlling costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation, labor organizing activities and changing demographics. The Company's ability to find qualified merchandise vendors and service providers and obtain access to products in a timely and efficient manner can be adversely affected by trade restrictions, political instability, the financial instability of suppliers, suppliers' noncompliance with applicable laws, transportation costs, disruptions to its supply chain network serving the Company's stores, distribution facilities and customers due to labor disturbances and other items, and other factors beyond the Company's control.

Disruptions of the Company’s supply chain could have an adverse effect on the Company’s operating and financial results.

Disruption of the Company’s supply chain capabilities due to trade restrictions, political instability, weather, natural disaster, terrorism, product recalls, labor supply or stoppages, the financial and/or operational instability of key suppliers and carriers, or other reasons could impair the Company’s ability to distribute its products. To the extent the Company is unable to mitigate the likelihood or potential impact of such events, there could be an adverse effect on the Company’s operating and financial results.

The success of the Company is dependent, in part, on the ability of its employees in all areas of the organization to execute its business plan and, ultimately, to satisfy its customers.

The Company’s ability to attract and retain qualified employees in all areas of the organization may be affected by a number of factors, including geographic relocation of employees, operations or facilities and the highly competitive markets in which the Company operates, including the markets for the types of skilled individuals needed to support the Company's continued success.

The success of the Company is dependent, in part, on its ability to establish and profitably maintain the appropriate mix of digital and physical presence in the markets it serves.

The Company’s success depends, in part, on its ability to develop its digital capabilities in conjunction with optimizing its physical store operations and market coverage, while maintaining profitability. The Company’s ability to develop these capabilities will depend on a number of factors, including its assessment and implementation of emerging technologies. The Company’s ability to optimize its store operations and market coverage requires active management of its real estate portfolio in a manner that permits store sizes, layouts, locations and offerings to evolve over time, which to the extent it involves the relocation of existing stores or the opening of additional stores will depend on a number of factors, including its identification and availability of suitable locations; its success in negotiating leases on acceptable terms; and its timely development of new stores, including the availability of construction materials and labor and the absence of significant construction and other delays based on weather or other events. These factors could potentially increase the cost of doing business and the risk that the Company’s business practices could result in liabilities that may adversely affect its performance, despite the exercise of reasonable care.

Disruptions in the financial markets could have an adverse effect on the Company’s ability to access its cash and cash equivalents.

The Company may have amounts of cash and cash equivalents at financial institutions that are in excess of federally insured limits. While the Company closely manages its cash and cash equivalents balances to minimize risk, if there were disruptions in the financial markets, the Company cannot be assured that it will not experience losses on its deposits.

The Company’s stock price has been and may continue to be subject to volatility, and this and other factors may affect elements of the Company’s capital allocation strategy such as share repurchases and dividends.

The Company’s stock price has experienced volatility over time and this volatility may continue, in part due to factors such as those mentioned in this Item 1A. Stock volatility in itself may adversely affect shareholder confidence as well as employee morale and retention for those associates who receive equity grants as part of their compensation packages. The impact on employee morale and retention could adversely affect the Company’s business performance and financial results. Stock volatility and other factors may also affect elements of the Company’s capital allocation strategy.

As part of its capital allocation strategy, since December 2004, the Company’s Board of Directors has authorized several share repurchase programs, and in April 2016, the Board of Directors authorized a quarterly dividend program. Decisions regarding share repurchases and dividends are within the discretion of the Board of Directors, and will be influenced by a number of factors, including the price of the Company’s common stock, general business and economic conditions, the Company’s financial condition and operating results, the emergence of alternative investment or acquisition opportunities, changes in business strategy and other factors. Changes in, or the elimination of, the Company’s share repurchase programs or its dividend could have an adverse effect on the price of the Company’s common stock.

The Company’s business would be adversely affected if the Company is unable to service its debt obligations.

The Company has incurred indebtedness under senior unsecured notes and has entered into a senior unsecured revolving credit facility. The Company’s ability to pay interest and principal when due, comply with debt covenants or repurchase the senior unsecured notes if a change of control occurs, will depend upon, among other things, sales and cash flow levels and other factors that affect its future financial and operating performance, including prevailing economic conditions and financial and business factors, many of which are beyond the Company’s control.

If the Company becomes unable in the future to generate sufficient cash flow to meet its debt service requirements, it may be forced to take remedial actions such as restructuring or refinancing its debt; seeking additional debt or equity capital; reducing or delaying its business activities, or selling assets. There can be no assurance that any such measures would be successful.

The Company has acquired several businesses and continues to evaluate potential business initiatives, including acquisitions, any of which could adversely impact the Company's performance.

The Company believes it carefully evaluates and plans for the integration of newly acquired businesses, as well as carefully prepares for and executes on other business combinations and strategic initiatives that are part of the success of its business. However, such activities involve certain inherent risks, including the failure to retain key personnel from an acquired business; undisclosed or subsequently arising liabilities; challenges in the successful integration of operations, aligning standards, policies and systems; and the potential diversion of management resources from existing operations to respond to unforeseen issues arising in the context of the integration of a new business or initiative.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

ITEM 2 – PROPERTIES

Most of the Company's stores are located in suburban areas of medium and large-sized cities. These stores are situated in strip and power strip shopping centers, as well as in major off-price and conventional malls, and in free standing buildings.

The Company's 1,533 stores are located in all 50 states, the District of Columbia, Puerto Rico and Canada and range in size from approximately 3,500 to 100,000 square feet, but are predominantly between 18,000 and 50,000 square feet. Approximately 85% to 90% of store space is used for selling areas.

The table below sets forth the locations of the Company's stores as of March 2, 2019:

STORE LOCATIONS

Alabama	24	New York	99
Alaska	1	North Carolina	46
Arizona	40	North Dakota	3
Arkansas	8	Ohio	47
California	182	Oklahoma	10
Colorado	34	Oregon	16
Connecticut	26	Pennsylvania	42
Delaware	6	Rhode Island	5
Florida	96	South Carolina	24
Georgia	39	South Dakota	3
Hawaii	2	Tennessee	26
Idaho	9	Texas	120
Illinois	49	Utah	15
Indiana	22	Vermont	3
Iowa	11	Virginia	48
Kansas	12	Washington	36
Kentucky	11	West Virginia	3
Louisiana	21	Wisconsin	16
Maine	8	Wyoming	2
Maryland	23	District of Columbia	3
Massachusetts	43	Puerto Rico	3
Michigan	43	Alberta, Canada	13
Minnesota	15	British Columbia, Canada	12
Mississippi	7	Manitoba, Canada	1
Missouri	22	New Brunswick, Canada	2
Montana	9	Newfoundland and Labrador, Canada	1
Nebraska	8	Nova Scotia, Canada	2
Nevada	15	Ontario, Canada	26
New Hampshire	15	Prince Edward Island, Canada	1
New Jersey	93	Saskatchewan, Canada	2
New Mexico	9	**Total**	**1,533**

The Company leases substantially all of its existing stores. The leases provide for original lease terms that generally range from 10 to 15 years and most leases provide for a series of five year renewal options, often at increased rents. The Company evaluates leases on an ongoing basis which may lead to renegotiated lease provisions, including rent and term duration, during renewal options, or the possible relocation or closing of stores. The Company expects to close a minimum of approximately 40 stores in fiscal 2019, unless it is able to negotiate more favorable lease terms with its landlords. Certain leases provide for scheduled rent increases (which, in the case of fixed increases, the Company accounts for on a straight-line basis over the committed lease term, beginning when the Company obtains possession of the premises) and/or for contingent rent (based upon store sales exceeding stipulated amounts).

The Company has distribution facilities, which ship merchandise to stores and customers, totaling approximately 7.2 million square feet consisting of three owned and 16 leased facilities.

As of March 2, 2019, the Company has approximately 940,000 square feet within 23 leased and owned facilities for procurement and corporate office functions. In addition, the Company has four locations, totaling approximately 7,500 square feet, which are utilized primarily for sales related functions for its institutional sales segment.

ITEM 3 – LEGAL PROCEEDINGS

The District Attorney's office for the County of Ventura, California, together with District Attorneys for other counties in California (together, the "District Attorneys"), recently concluded an investigation regarding the management and disposal at the Company's stores in California of certain materials that may be deemed hazardous or universal waste under California law. On March 19, 2019, the District Attorneys provided the Company with a settlement demand that included a proposed civil penalty, reimbursement of investigation costs, and certain injunctive relief, including modifications to the Company's existing compliance program, which already includes associate training, on-going review of disposal rules applicable to various product categories, and specialized third-party disposal. The Company is working with the District Attorneys towards a resolution of this matter and has recorded an accrual for the estimated probable loss for this matter as of March 2, 2019. While no assurance can be given as to its ultimate outcome, the Company does not believe that the final resolution of this matter will have a material effect on the Company's consolidated financial position, results of operations or liquidity.

The Company is party to various legal proceedings arising in the ordinary course of business, which the Company does not believe to be material to the Company’s consolidated financial position, results of operations or liquidity.

ITEM 4 – MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5 – MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is traded on The Nasdaq Global Select Market under the symbol BBBY. On March 30, 2019, there were approximately 5,200 shareholders of record of the common stock (without including individual participants in nominee security position listings). On March 29, 2019, the last reported sale price of the common stock was $16.99.

During fiscal 2016, the Company's Board of Directors authorized a quarterly dividend program. During fiscal 2018 and 2017, total cash dividends of $86.3 million and $80.9 million were paid, respectively. Subsequent to the end of the fourth quarter of fiscal 2018, on April 10, 2019, the Company's Board of Directors declared a quarterly dividend increase to $0.17 per share to be paid on July 16, 2019 to shareholders of record at the close of business on June 14, 2019. The Company expects to pay quarterly cash dividends on its common stock in the future, subject to the determination by the Board of Directors, based on an evaluation of the Company's earnings, financial condition and requirements, business conditions and other factors.

Since 2004 through the end of fiscal 2018, the Company has repurchased approximately $10.6 billion of its common stock through share repurchase programs. The Company's purchases of its common stock during the fourth quarter of fiscal 2018 were as follows:

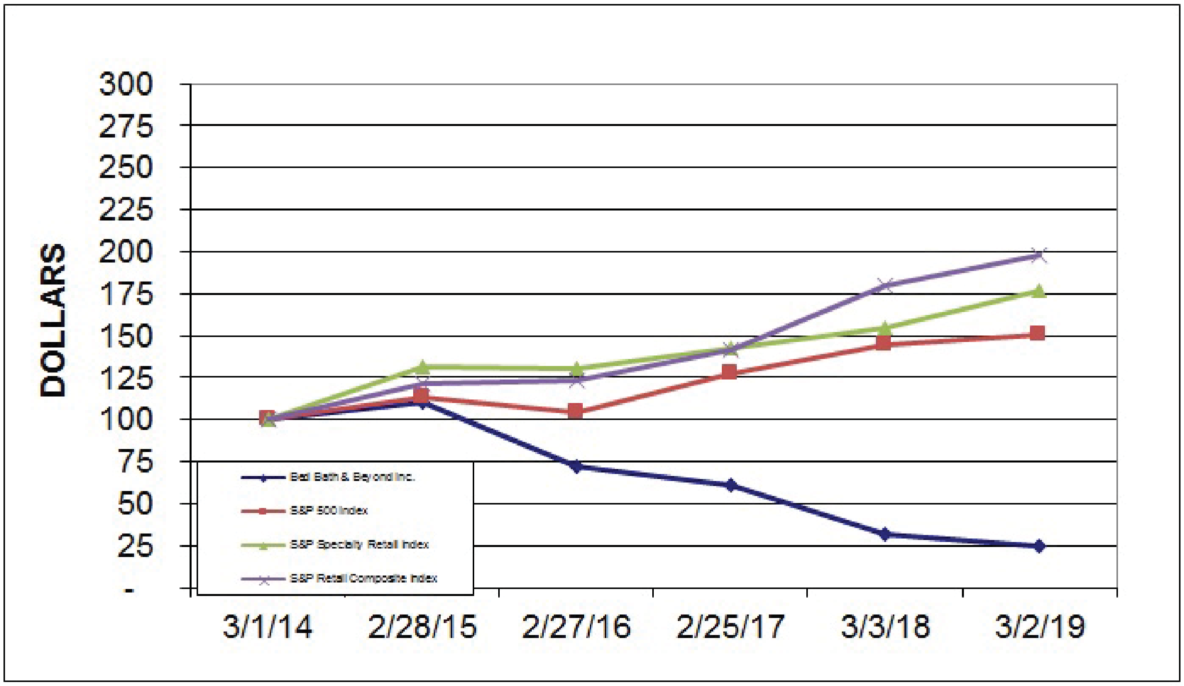
Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) (2)
December 2, 2018 - December 29, 2018	209,600	$ 12.09	209,600	$ 1,411,246,888
December 30, 2018 - January 26, 2019	908,600	$ 14.31	908,600	$ 1,398,244,105
January 27, 2019 - March 2, 2019	4,046,800	$ 15.33	4,046,800	$ 1,336,216,128
Total	5,165,000	$ 15.02	5,165,000	$ 1,336,216,128

(1) Between December 2004 and September 2015, the Company's Board of Directors authorized, through several share repurchase programs, the repurchase of $11.950 billion of its shares of common stock. The Company has authorization to make repurchases from time to time in the open market or through other parameters approved by the Board of Directors pursuant to existing rules and regulations. Shares purchased, as indicated in this table, also include shares withheld to cover employee related taxes on vested restricted shares and performance stock unit awards.

(2) Excludes brokerage commissions paid by the Company.

Stock Price Performance Graph

The graph shown below compares the performance of the Company's common stock with that of the S&P 500 Index, the S&P Specialty Retail Index and the S&P Retail Composite Index over the same period (assuming the investment of $100 in the Company's common stock and each of the three Indexes on March 1, 2014, and the reinvestment of dividends, if any).


DOLLARS
300
275
250
225
200
175
150
125
100
75
50
25
-
3/1/14
2/28/15
2/27/16
2/25/17
3/3/18
3/2/19
Bed Bath & Beyond Inc.
S&P 500 Index
S&P Specialty Retail Index
S&P Retail Composite Index

ITEM 6 – SELECTED FINANCIAL DATA.

Consolidated Selected Financial Data	**Fiscal Year Ended (1)**				
(in thousands, except per share and selected operating data)	March 2, 2019	March 3, 2018 (2)	February 25, 2017 (3)	February 27, 2016	February 28, 2015
Statement of Operations Data:					
Net sales	$ 12,028,797	$ 12,349,301	$ 12,215,757	$ 12,103,887	$ 11,881,176
Gross profit	4,103,980	4,443,015	4,576,350	4,620,310	4,619,779
Operating (loss) profit (8)	(87,135)	761,321	1,135,210	1,414,903	1,554,293
Net (loss) earnings	(137,224)	424,858	685,108	841,489	957,474
Net (loss) earnings per share - Diluted	$ (1.02)	$ 3.04	$ 4.58	$ 5.10	$ 5.07
Dividends declared per share (6)	$ 0.64	$ 0.60	$ 0.50	$ —	$ —
Selected Operating Data:					
Number of stores open (at period end)	1,533	1,552	1,546	1,530	1,513
Total square feet of store space (at period end)	43,132,000	43,681,000	43,619,000	43,274,000	43,041,000
Percentage (decrease) increase in comparable sales (4)	(1.1%)	(1.3%)	(0.6)%	1.0%	2.4%
Comparable sales (in 000's) (4)	$ 11,604,110	$ 11,813,092	$ 11,701,042	$ 11,722,973	$ 11,517,454
Balance Sheet Data (at period end):					
Working capital	$ 1,832,340	$ 1,805,393	$ 1,559,400	$ 1,757,282	$ 1,933,647
Total assets	6,570,541	7,040,806	6,822,655	6,487,677	6,749,665
Long-term sale/leaseback and capital lease obligations	103,983	105,614	107,136	109,274	106,948
Long-term debt (5)	1,487,934	1,492,078	1,491,603	1,491,137	1,490,672
Shareholders' equity (6) (7)	$ 2,560,331	$ 2,888,628	$ 2,719,277	$ 2,559,540	$ 2,743,190

(1) Each fiscal year represents 52 weeks, except for fiscal 2017 (ended March 3, 2018) which represents 53 weeks.
(2) The Company acquired Decorist, Inc. on March 6, 2017.
(3) The Company acquired One Kings Lane, Inc. on June 13, 2016, PersonalizationMall.com, LLC ("PMall") on November 23, 2016, and certain assets of Chef Central on January 27, 2017.
(4) Comparable sales include sales consummated through all retail channels which have been operating for twelve full months following the opening period (typically four to six weeks). Of a Kind was excluded from the comparable sales calculations through the end of the first fiscal half of 2016, and is included beginning with the fiscal third quarter of 2016. PMall is included in the comparable sales calculation beginning in the fourth quarter of fiscal 2017. One Kings Lane, Chef Central and Decorist are included in the comparable sales calculation beginning in the first quarter of fiscal 2018. Linen Holdings is excluded from the comparable sales calculations and will continue to be excluded on an ongoing basis as it represents non-retail activity.
(5) On July 17, 2014, the Company issued $300 million aggregate principal amount of 3.749% senior unsecured notes due August 1, 2024, $300 million aggregate principal amount of 4.915% senior unsecured notes due August 1, 2034 and $900 million aggregate principal amount of 5.165% senior unsecured notes due August 1, 2044. In fiscal 2018, the Company purchased and retired $4.6 million of senior unsecured notes due August 1, 2024. Amounts shown are net of unamortized deferred financing costs.
(6) The Company's Board of Directors declared quarterly dividends of $0.16 per share in each quarter of fiscal 2018, totaling $0.64 per share or approximately $89 million for the fiscal year 2018, $0.15 per share in each quarter of fiscal 2017, totaling $0.60 per share or approximately $86 million for the fiscal year 2017 and $0.125 per share in each quarter of fiscal 2016, totaling $0.50 per share or approximately $76 million for the fiscal year 2016. The Company had not declared any cash dividends in any of the fiscal years prior to fiscal 2016.
(7) In fiscal 2018, 2017, 2016, 2015, and 2014, the Company repurchased approximately $0.148 billion, $0.252 billion, $0.547 billion, $1.101 billion, and $2.251 billion of its common stock, respectively.
(8) Fiscal 2018 operating loss includes non-cash pre-tax goodwill and other impairment charges of $509.9 million.

ITEM 7 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Bed Bath & Beyond Inc. and subsidiaries (the "Company") is an omnichannel retailer selling a wide assortment of domestics merchandise and home furnishings which operates under the names Bed Bath & Beyond ("BBB"), Christmas Tree Shops, Christmas Tree Shops andThat! or andThat! (collectively, "CTS"), Harmon, Harmon Face Values, or Face Values (collectively, "Harmon"), buybuy BABY ("Baby") and World Market, Cost Plus World Market or Cost Plus (collectively, "Cost Plus World Market"). Customers can purchase products either in-store, online, with a mobile device or through a customer contact center. The Company generally has the ability to have customer purchases picked up in-store or shipped direct to the customer from the Company's distribution facilities, stores or vendors. In addition, the Company operates Of a Kind, an e-commerce website that features specially commissioned, limited edition items from emerging fashion and home designers; One Kings Lane, an authority in home décor and design, offering a unique collection of select home goods, designer and vintage items; PersonalizationMall.com ("PMall"), an industry-leading online retailer of personalized products; Chef Central, a retailer of kitchenware, cookware and homeware items catering to cooking and baking enthusiasts; and Decorist, an online interior design platform that provides personalized home design services. The Company also operates Linen Holdings, a provider of a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, healthcare and other industries. Additionally, the Company is a partner in a joint venture which operates retail stores in Mexico under the name Bed Bath & Beyond.

The Company accounts for its operations as two operating segments: North American Retail and Institutional Sales. The Institutional Sales operating segment, which is comprised of Linen Holdings, does not meet the quantitative thresholds under U.S. generally accepted accounting principles and therefore is not a reportable segment.

The Company's mission is to be the trusted expert for the home and heart-felt life events. These include certain life events that evoke strong emotional connections such as getting married, moving to a new home, having a baby, going to college and decorating a room, which the Company supports through its wedding and baby registries, mover and student life programs, and its design consultation services.

To advance its mission, the Company is executing on a comprehensive plan to transform its business and position the Company for long-term success. The strategic focus of the transformational initiatives include: product assortment, shopping experience, services and solutions, and operational excellence. The Company's ongoing efforts to implement and execute on these organization-wide foundational initiatives are intended to drive four key strategic objectives including mid-and-long-term revenue growth, near-term and ongoing gross margin improvements, near-term and ongoing selling, general and administrative expenses ("SG&A) improvements, and current and sustainable world-class operational support.

The integration of retail store and customer facing digital channels allows the Company to provide its customers with a seamless shopping experience. In-store purchases are primarily fulfilled from that store's inventory, or may also be shipped to a customer from one of the Company's distribution facilities, a vendor, or another store. Purchases, including web and mobile, can be shipped to a customer from the Company's distribution facilities, directly from vendors, or from a store. The Company's customers can also choose to pick up online orders in a store, as well as return online purchases to a store. Customers can also make purchases through one of the Company's customer contact centers and in-store through The Beyond Store, the Company's proprietary, web-based platform. These capabilities allow the Company to better serve customers across various channels.

Operating in the highly competitive retail industry, the Company, along with other retail companies, is influenced by a number of factors including, but not limited to, general economic conditions including the housing market, unemployment levels and commodity prices; the overall macroeconomic environment and related changes in the retailing environment; consumer preferences, spending habits and adoption of new technologies; unusual weather patterns and natural disasters; competition from existing and potential competitors across all channels; potential supply chain disruption; the ability to find suitable locations at acceptable occupancy costs and other terms to support the Company's plans for new stores; and the ability to assess and implement technologies in support of the Company's development of its omnichannel capabilities. The Company cannot predict whether, when or the manner in which these factors could affect the Company's operating results.

The results of operations for the fiscal year ended March 3, 2018 include Decorist since the date of acquisition, March 6, 2017. The results of operations for the fiscal year ended February 25, 2017 include One Kings Lane since the date of acquisition, June 13, 2016, and PMall since the date of acquisition, November 23, 2016.

The following represents an overview of the Company's financial performance for the periods indicated:

- Net sales in fiscal 2018 (fifty-two weeks) decreased approximately 2.6% to $12.029 billion; net sales in fiscal 2017 (fifty-three weeks) increased approximately 1.1% to $12.349 billion over net sales of $12.216 billion in fiscal 2016 (fifty-two weeks).

- Comparable sales in fiscal 2018 (fifty-two weeks) decreased by approximately 1.1%, as compared to a decrease of approximately 1.3% for fiscal 2017 (fifty-three weeks) and a decrease of approximately 0.6% for fiscal 2016 (fifty-two weeks). Comparable sales percentages are calculated based on an equivalent number of weeks in each annual period. For fiscal 2018 and fiscal 2017, comparable sales consummated through customer facing digital channels continued the trend of year over year strong growth, while comparable sales consummated in-store declined in the mid-single-digit percentage range from the corresponding period in the prior year.

  Comparable sales include sales consummated through all retail channels which have been operating for twelve full months following the opening period (typically four to six weeks). The Company is an omnichannel retailer with capabilities that allow a customer to use more than one channel when making a purchase, including in-store, online, with a mobile device or through a customer contact center, and have it fulfilled, in most cases, either through in-store customer pickup or by direct shipment to the customer from one of the Company's distribution facilities, stores or vendors.

  Sales consummated on a mobile device while physically in a store location are recorded as customer facing digital channel sales. Customer orders taken in-store by an associate through The Beyond Store, the Company's proprietary, web-based platform are recorded as in-store sales. Customer orders reserved online and picked up in a store are recorded as in-store sales. Sales originally consummated from customer facing digital channels and subsequently returned in-store are recorded as a reduction of in-store sales.

  Stores relocated or expanded are excluded from comparable sales if the change in square footage would cause meaningful disparity in sales over the prior period. In the case of a store to be closed, such store's sales are not considered comparable once the store closing process has commenced. Stores impacted by unusual and unexpected events outside the Company's control, including severe weather, fire or floods, are excluded from comparable sales for the period of time that such event would cause a meaningful disparity in sales over the prior period. Of a Kind was excluded from the comparable sales calculations through the end of the first fiscal half of 2016, and is included beginning with the fiscal third quarter of 2016. PMall is included in the comparable sales calculation beginning in the fourth quarter of fiscal 2017. One Kings Lane, Chef Central and Decorist are included in the comparable sales calculation beginning in the first quarter of fiscal 2018. Linen Holdings is excluded from the comparable sales calculations and will continue to be excluded on an ongoing basis as it represents non-retail activity.

- Gross profit for fiscal 2018 was $4.104 billion or 34.1% of net sales, compared with $4.443 billion or 36.0% of net sales for fiscal 2017 and $4.576 billion or 37.5% of net sales for fiscal 2016.

- SG&A for fiscal 2018 were $3.681 billion or 30.6% of net sales, compared with $3.682 billion or 29.8% of net sales for fiscal 2017 and $3.441 billion or 28.2% of net sales for fiscal 2016.

- Goodwill and other impairments for fiscal 2018 were $509.9 million or 4.2% of net sales. There were no goodwill and other impairments in fiscal 2017 or fiscal 2016.

- Interest expense, net was $69.5 million, $65.7 million, and $69.6 million in fiscal 2018, 2017 and 2016, respectively.

- The effective tax rate was 12.4%, 38.9%, and 35.7% for fiscal years 2018, 2017 and 2016, respectively.

  For fiscal 2018, 2017 and 2016, the effective tax rate included net benefits of approximately $12.1 million, net expense of approximately $7.1 million which included the impacts of the comprehensive tax legislation, commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"), enacted by the U.S. government on December 22, 2017 and net benefits of approximately $18.5 million, respectively. The effective tax rates for fiscal 2018, 2017 and 2016 included net benefits due to the recognition of favorable discrete federal and state tax items.

  The Company's effective tax rate for fiscal 2017 included a net increase of approximately 1.5%, resulting from the impacts of the Tax Act. The Tax Act significantly revised the U.S. tax code by, among other things, (i) reducing the federal corporate income tax rate from 35% to 21%, effective January 1, 2018, (ii) imposing a one-time transition tax on earnings of foreign subsidiaries deemed to be repatriated and (iii) implementing a modified territorial tax system. The net unfavorable tax impact included the following: (1) re-measurement of the Company's net deferred tax assets that existed on December 22,

2017; (2) deferred taxes that were created after December 22, 2017 that were deducted at the federal statutory rate of 32.66%, but will reverse at the newly enacted 21% federal statutory rate; (3) the transition tax on accumulated foreign earnings; and (4) the decrease in the federal statutory tax rate in fiscal 2017.

Additionally in fiscal 2017, the effective tax rate included the effect of the adoption of Accounting Standards Update 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Share-Based Payment Accounting*, ("ASU 2016-09, *Stock Compensation*"), which increased the effective tax rate by approximately 1.4%. The effective rate also included approximately 1.9% of favorable tax benefits occurring during fiscal 2017.

- For the fiscal year ended March 2, 2019 (fifty-two weeks), net loss per diluted share was $(1.02) ($(137.2) million) and included the unfavorable impact of approximately $3.07 per diluted share from goodwill and other impairments. For the fiscal year ended March 3, 2018 (fifty-three weeks), net earnings per diluted share was $3.04 ($424.9 million) and for the fiscal year ended February 25, 2017 (fifty-two weeks), net earnings per diluted share was $4.58 ($685.1 million).

  For the fiscal year ended March 2, 2019, the decrease in net earnings per diluted share is a result of the decrease in net earnings due to the items described above, partially offset by the impact of the Company's repurchase of its common stock.

  For the fiscal year ended March 3, 2018, the decrease in net earnings per diluted share is the result of the decrease in net earnings due to the items described above, partially offset by an estimated $0.05 benefit related to the fifty-third week in fiscal 2017 and the benefit of the Company's repurchases of its common stock. In addition, fiscal 2017 net earnings per diluted share included the net unfavorable impact of the Tax Act of approximately $0.08, the unfavorable impact of the adoption of ASU 2016-09, *Stock Compensation* of approximately $0.07 and the cash restructuring charges associated with the acceleration of the realignment of its store management structure of approximately $0.04.

Capital expenditures for fiscal 2018, 2017, and 2016 were $325.4 million, $375.8 million and $373.6 million, respectively. Approximately 60% of the current year capital expenditures were for technology projects, including investments in the Company's digital capabilities, and the development and deployment of new systems and equipment in its stores. The remaining capital expenditures were primarily related to new store openings and investments in existing stores.

The Company continues to review and prioritize its capital needs and remains committed to making the required investments in its infrastructure, including adding resources, to help position the Company for continued growth and success. Key areas of investment include: continuing to improve the presentation and content as well as the functionality, general search and navigation across its customer facing digital channels; improving customer data integration and customer relations management capabilities; continuing to enhance service offerings to its customers; continuing to strengthen and deepen its information technology, analytics, marketing and e-commerce groups; and creating more flexible fulfillment options that will improve the Company's delivery capabilities and lower the Company's shipping costs. These and other investments are expected to, among other things, provide a seamless and compelling customer experience across the Company's omnichannel retail platform.

During fiscal 2018, the Company opened a total of 17 new stores and closed 37 stores. The Company plans to continue to actively manage its real estate portfolio in order to permit store sizes, layouts, locations and offerings to evolve over time to optimize market profitability and will renovate or reposition stores within markets when appropriate. Over the past several years, the Company's pace of its store openings has slowed, and the Company has increased the number of store closings. The Company expects to close a minimum of approximately 40 stores in fiscal 2019, unless it is able to negotiate more favorable lease terms with its landlords. These expected closures are primarily Bed Bath & Beyond stores. In fiscal 2019, the Company expects to open approximately 15 new stores. Additionally, the Company expects to continue to invest in technology related projects, including the deployment of new systems and equipment in its stores, enhancements to the Company's customer facing digital channels, ongoing investment in its data warehouse and data analytics and the continued deployment of a new point of sale system.

During fiscal 2016, the Company's Board of Directors authorized a quarterly dividend program. During fiscal 2018, 2017 and 2016, total cash dividends of $86.3 million, $80.9 million and $55.6 million were paid, respectively. Subsequent to the end of the fourth quarter of fiscal 2018, on April 10, 2019, the Company's Board of Directors declared a quarterly dividend increase to $0.17 per share to be paid on July 16, 2019 to shareholders of record at the close of business on June 14, 2019. The Company expects to pay quarterly cash dividends on its common stock in the future, subject to the determination by the Board of Directors, based on an evaluation of the Company's earnings, financial condition and requirements, business conditions and other factors.

During fiscal 2018, 2017 and 2016, the Company repurchased 9.1 million, 8.0 million, and 12.3 million shares, respectively, of its common stock at a total cost of approximately $148.1 million, $252.4 million and $547.0 million, respectively. The Company's share repurchase program may be influenced by several factors, including business and market conditions. The Company reviews its alternatives with respect to its capital structure on an ongoing basis.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated (i) selected statement of operations data of the Company expressed as a percentage of net sales and (ii) the percentage change in dollar amounts from the prior year in selected statement of operations data:

	Fiscal Year Ended				
	Percentage of Net Sales			Percentage Change from Prior Year	
	March 2, 2019	March 3, 2018	February 25, 2017	March 2, 2019	March 3, 2018
Net sales	100.0 %	100.0%	100.0%	(2.6)%	1.1 %
Cost of sales	65.9	64.0	62.5	0.2	3.5
Gross profit	34.1	36.0	37.5	(7.6)	(2.9)
Selling, general and administrative expenses	30.6	29.8	28.2	—	7.0
Goodwill and other impairments	4.2	—	—	100.0	—
Operating (loss) profit	(0.7)	6.2	9.3	(111.4)	(32.9)
Interest expense, net	0.6	0.5	0.6	5.8	(5.6)
(Loss) earnings before provision for income taxes	(1.3)	5.6	8.7	(122.5)	(34.7)
(Benefit) provision for income taxes	(0.2)	2.2	3.1	(107.2)	(28.8)
Net (loss) earnings	(1.1)	3.4	5.6	(132.3)	(38.0)

Net Sales

Since fiscal 2017 was a fifty-three week year, fiscal 2018 started one calendar week later than fiscal 2017. The comparable sales calendar compares the same calendar weeks.

Net sales in fiscal 2018 (fifty-two weeks) decreased $320.5 million to $12.029 billion, representing a decrease of 2.6% compared to $12.349 billion of net sales in fiscal 2017 (fifty-three weeks), which increased $133.5 million or 1.1% over the $12.216 billion of net sales in fiscal 2016 (fifty-two weeks). For fiscal 2018, the decrease was attributable to one less week in sales compared to fiscal 2017 and a decrease in comparable sales. For fiscal 2017, the increase was attributable to an increase of approximately 1.8% due to the fifty-third week and approximately 0.8% in the Company’s non-comparable sales, partially offset by a decrease of approximately 1.5% in comparable sales, adjusted to compare fifty-two weeks to fifty-two weeks.

The decrease in comparable sales for fiscal 2018 (fifty-two weeks) was approximately 1.1% as compared with a decrease of approximately 1.3% for fiscal 2017 (fifty-three weeks). Comparable sales percentages are calculated based on an equivalent number of weeks in each annual period. The decrease in comparable sales for fiscal 2018 and 2017 was due to a decrease in the number of transactions in stores, partially offset by an increase in the average transaction amount.

The Company’s comparable sales metric considers sales consummated through all retail channels – in-store, online, with a mobile device or through a customer contact center. Customers today may take advantage of the Company’s omnichannel environment by using more than one channel when making a purchase. The Company believes in an integrated and seamless customer experience. A few examples are: a customer may be assisted by an in-store associate to create a wedding or baby registry, while the guests may ultimately purchase a gift from the Company’s websites; or a customer may research a particular item, and read other customer

reviews on the Company's websites before visiting a store to consummate the actual purchase; or a customer may reserve an item online for in-store pick up; or while in a store, a customer may make the purchase on a mobile device for in home delivery from either a distribution facility, a store or directly from a vendor. In addition, the Company accepts returns in-store without regard to the channel in which the purchase was consummated, therefore resulting in reducing store sales by sales originally consummated through customer facing digital channels. As the Company's retail operations are integrated and it cannot reasonably track the channel in which the ultimate sale is initiated, the Company can however provide directional information on where the sale was consummated.

For fiscal 2018 and 2017, comparable sales consummated through customer facing digital channels continued the trend of year over year strong growth, while comparable sales consummated in-store declined in the mid-single-digit percentage range from the corresponding period in the prior year.

Comparable sales represented $11.604 billion, $11.813 billion, and $11.701 billion of net sales for fiscal 2018, 2017 and 2016, respectively. Comparable sales dollars are calculated based on an equivalent number of weeks in each annual period.

Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings (including furniture and wall décor), consumables and certain juvenile products. Sales of domestics merchandise accounted for approximately 35.4%, 35.5%, and 36.8% of net sales in fiscal 2018, 2017, and 2016, respectively, of which the Company estimates that bed linens accounted for approximately 11% of net sales in fiscal 2018, 2017, and 2016. The remaining net sales in fiscal 2018, 2017, and 2016 of 64.6%, 64.5%, and 63.2%, respectively, represented sales of home furnishings. No other individual product category accounted for 10% or more of net sales during fiscal 2018, 2017, and 2016.

Gross Profit

Gross profit in fiscal 2018, 2017, and 2016 was $4.104 billion or 34.1% of net sales, $4.443 billion or 36.0% of net sales, and $4.576 billion or 37.5% of net sales, respectively. The decrease in the gross profit margin as a percentage of net sales between fiscal 2018 and 2017 was primarily attributed to, in order of magnitude: an increase in coupon expense, resulting from an increase in the average coupon amount partially offset by a decrease in the number of redemptions; a decrease in merchandise margin; and an increase in net direct to customer shipping expense. The decrease in the gross profit margin as a percentage of net sales between fiscal 2017 and 2016 was primarily attributed to, in order of magnitude: a decrease in merchandise margin; an increase in coupon expense, resulting from increases in redemptions and the average coupon amount; and an increase in net direct to customer shipping expense.

In addition, the Company is investing in the lifetime value of its customers through its annual Beyond Plus membership and College Savings Pass programs. The richer benefits of these programs, including twenty percent off entire purchase and free shipping, are realized immediately upon sale and had, and will continue to have, an impact on the Company's gross margin during the period of increasing enrollment. The Beyond Plus membership fee of $29 is currently amortized over the one-year membership period. The Company estimated that the impact of these programs reduced gross margin as a percentage of net sales by approximately 40 basis points for fiscal 2018.

Selling, General and Administrative Expenses

SG&A was $3.681 billion or 30.6% of net sales in fiscal 2018, $3.682 billion or 29.8% of net sales in fiscal 2017, and $3.441 billion or 28.2% of net sales in fiscal 2016. The percentage of net sales increase in SG&A between fiscal 2018 and 2017 was primarily attributable to an increase in technology expenses, including related depreciation. The percentage of net sales increase in SG&A between fiscal 2017 and 2016 was primarily attributable to, in order of magnitude: an increase in payroll and payroll related items (including salaries and store management restructuring charges); an increase in advertising expenses, due in part to the growth in digital advertising; and an increase in technology expenses and related depreciation.

Goodwill and other impairments

Goodwill and other impairments were $509.9 million in fiscal 2018. Goodwill impairments were $325.2 million, tradename impairments were $161.7 million and long-lived assets impairments were $23.0 million. The non-cash pre-tax goodwill impairment charges were primarily the result of a sustained decline in the Company's market capitalization. There were no goodwill or other impairments in fiscal 2017.

Operating (Loss) Profit

Operating loss for fiscal 2018 was $87.1 million or 0.7% of net sales and operating profit was $761.3 million or 6.2% of net sales for fiscal 2017, and $1.135 billion or 9.3% of net sales in fiscal 2016. The change in operating (loss) profit as a percentage of net sales between fiscal 2018 and 2017 were the result of the reductions in gross profit margin, the increase in SG&A as a percentage

of net sales and goodwill and other impairments as described above. The change in operating profit as a percentage of net sales between fiscal 2017 and 2016 were result of the reductions in gross profit margin and the increases in SG&A as a percentage of net sales as described above.

The Company believes operating margin, as a percentage of net sales, in fiscal 2019 will be in range of 3.4% to 3.8%, as it continues to focus on its ongoing initiatives and the review of its overall expense structure across the organization.

Interest Expense, net

Interest expense, net was $69.5 million, $65.7 million, and $69.6 million in fiscal 2018, 2017 and 2016, respectively. For fiscal 2018, 2017 and 2016, interest expense, net primarily related to interest on the senior unsecured notes issued in July 2014. Included in interest expense, net was an expense of $2.7 million for fiscal 2018, and net benefits of $13.3 million and $11.5 million for fiscal 2017 and fiscal 2016, respectively, related to changes in the Company's nonqualified deferred compensation plan ("NQDC") investments. These favorable changes were fully offset by corresponding unfavorable changes in the NQDC liability recorded in SG&A and resulted in no net impact to the consolidated statement of earnings.

Income Taxes

The effective tax rate was 12.4% for fiscal 2018, 38.9% for fiscal 2017, and 35.7% for fiscal 2016. For fiscal 2018, 2017 and 2016, the effective tax rate included net benefits of approximately $12.1 million, net expense of approximately $7.1 million which included the impacts of the Tax Act and net benefits of approximately $18.5 million, respectively. The effective tax rates for fiscal 2018, 2017 and 2016 included net benefits due to the recognition of favorable discrete federal and state tax items.

The Company's effective tax rate for fiscal 2017 included a net increase of approximately 1.5%, resulting from the Tax Act. The fiscal 2017 effective tax rate also included the effect of the adoption of ASU 2016-09, *Stock Compensation*, which increased the effective tax rate by approximately 1.4%. The adoption of the standard did not affect the Company's cash outflows for income taxes. Additionally, the fiscal 2017 effective rate included approximately 1.9% of net benefits primarily due to the recognition of favorable discrete federal and state tax items.

Potential volatility in the effective tax rate from year to year may occur as the Company is required each year to determine whether new information changes the assessment of both the probability that a tax position will effectively be sustained and the appropriateness of the amount of recognized benefit.

GROWTH

The Company has undertaken significant change to adapt to the dynamic retail environment and the evolving needs of its customers to improve its competitive position. To support this change, the Company appointed new leaders to bring expertise in the areas of data analytics, supply chain, customer fulfillment, merchandising, life stages, e-commerce, portfolio management and information technology. As a result, the Company believes that it has the necessary management depth to drive growth.

The Company's ongoing transformation plan is expected to improve mid-and-long-term revenue growth, enhance gross and operating margins and create sustainable shareholder value. The strategic focus of the plan includes product assortment, shopping experience, services and solutions, and operational excellence, and the key financial objectives are: mid-and-long-term revenue growth; near-term and ongoing gross margin improvements; near-term and ongoing SG&A improvements; and current and sustainable world-class operational support.

The continued growth of the Company is dependent, in part, upon the Company's ability to execute its transformation strategy successfully.

From the beginning of fiscal 1992 to the end of fiscal 2018, the Company has grown from 34 stores to 1,533 stores, plus its interactive platforms, including websites and applications, and distribution facilities. Total store square footage, net of openings and closings, grew from approximately 0.9 million square feet at the beginning of fiscal 1992 to approximately 43.1 million square feet at the end of fiscal 2018, and included 17 store openings and 37 closures during fiscal 2018. In fiscal 2019, the Company expects company-wide to open approximately 15 new stores, and close a minimum of approximately 40 stores, unless it can negotiate more favorable lease terms with landlords. Over the past several years, sales from the Company's customer facing digital channels have continued to experience strong growth.

As of March 2, 2019, the Company had distribution facilities totaling approximately 7.2 million square feet, supporting the growth of its customer facing digital channels as well as its stores and its institutional sales segment.

LIQUIDITY AND CAPITAL RESOURCES

The Company has been able to finance its operations, including its growth and acquisitions, substantially through internally generated funds. The Company ended fiscal 2018 in a strong cash position, which it anticipates maintaining, to provide the Company the flexibility to fund its ongoing initiatives and act upon other opportunities that may arise. As of March 2, 2019, the Company had approximately $1.015 billion in cash and investment securities, an increase of approximately $271 million compared with $744 million as of March 3, 2018. For fiscal 2019, the Company believes that it can continue to finance its operations, including its growth, planned capital expenditures, debt service obligations, cash dividends, and share repurchases, through existing and internally generated funds. In addition, if necessary, the Company could borrow under its $250 million revolving credit facility or the available balances under its lines of credit. Capital expenditures for fiscal 2019 are modeled to be in the range of approximately $350 million to $375 million, subject to the timing and composition of projects. In addition, the Company reviews its alternatives with respect to its capital structure on an ongoing basis.

Fiscal 2018 *compared to Fiscal* 2017

Net cash provided by operating activities in fiscal 2018 was $918.3 million, compared with $859.7 million in fiscal 2017. Year over year, the Company experienced an increase in cash provided by the net components of working capital (primarily prepaid expenses and other current assets, largely due to the prepayment in the prior fiscal year of certain operating expenses associated with tax planning strategies, partially offset by accounts payable) and a decrease in net earnings, as adjusted for non-cash expenses (primarily goodwill and other impairments and deferred income taxes).

Retail inventory, which includes inventory in the Company's distribution facilities for direct to customer shipments, was approximately $2.6 billion, a decrease of approximately 4.7% compared to retail inventory at March 3, 2018. The Company continues to focus on its inventory optimization strategies.

Net cash used in investing activities in fiscal 2018 was $509.7 million, compared with $674.4 million in fiscal 2017. In fiscal 2018, net cash used in investing activities was primarily due to $325.4 million of capital expenditures and $195.5 million of purchases of investment securities, net of redemptions. In fiscal 2017, net cash used in investing activities was primarily due to $375.8 million of capital expenditures and $292.5 million of purchases of investment securities.

Net cash used in financing activities for fiscal 2018 was $238.6 million, compared with $323.4 million in fiscal 2017. The decrease in net cash used in financing activities was primarily due to a decrease in common stock repurchases of $104.4 million partially offset by a decrease in proceeds from the exercise of stock options.

Fiscal 2017 compared to Fiscal 2016

Net cash provided by operating activities in fiscal 2017 was $859.7 million, compared with $1.043 billion in fiscal 2016. Year over year, the Company experienced a decrease in net earnings, as adjusted for non-cash expenses (primarily deferred income taxes), and an increase in cash used in the net components of working capital (primarily prepaid expenses and other current assets, largely due to the prepayment of certain operating expenses associated with tax planning strategies, partially offset by merchandise inventories).

Retail inventory, which includes inventory in the Company's distribution facilities for direct to customer shipments, was approximately $2.7 billion at March 3, 2018, a decrease of approximately 6.0% compared to retail inventory at February 25, 2017. The percentage decrease was due, in part, to the favorable impact of the Company's inventory optimization strategies.

Net cash used in investing activities in fiscal 2017 was $674.4 million, compared with $491.9 million in fiscal 2016. In fiscal 2017, net cash used in investing activities was primarily due to $375.8 million of capital expenditures and $292.5 million of purchases of investment securities. In fiscal 2016, net cash used in investing activities was primarily due to $373.6 million of capital expenditures and $201.3 million of payments related to acquisitions, net of acquired cash, partially offset by $86.2 million of redemptions of investment securities.

Net cash used in financing activities for fiscal 2017 was $323.4 million, compared with $582.2 million in fiscal 2016. The decrease in net cash used in financing activities was primarily due to a decrease in common stock repurchases of $294.6 million partially offset by an increase of $25.3 million for the payment of dividends.

Other Fiscal 2018 Information

At March 2, 2019, the Company maintained two uncommitted lines of credit of $100 million each, with expiration dates of August 30, 2019 and February 23, 2020, respectively. These uncommitted lines of credit are currently and are expected to be used for letters of credit in the ordinary course of business. During fiscal 2018, the Company did not have any direct borrowings under the uncommitted lines of credit. Although no assurances can be provided, the Company intends to renew both uncommitted lines of credit before the respective expiration dates.

On November 14, 2017, the Company replaced its existing $250 million five year senior unsecured revolving credit facility agreement with various lenders with a new $250 million five year senior unsecured revolving credit facility agreement ("Revolver") with various lenders maturing November 14, 2022. The new Revolver has essentially the same terms and requirements as the prior revolving credit facility agreement. For fiscal 2018 and 2017, the Company did not have any borrowings under the Revolver.

Between December 2004 and September 2015, the Company’s Board of Directors authorized, through several share repurchase programs, the repurchase of $11.950 billion of its common stock. Since 2004 through the end of fiscal 2018, the Company has repurchased approximately $10.6 billion of its common stock through share repurchase programs. The Company has approximately $1.3 billion remaining of authorized share repurchases as of March 2, 2019. The Company has authorization to make repurchases from time to time in the open market or through other parameters approved by the Board of Directors pursuant to existing rules and regulations. The Company’s share repurchase program could change, and would be influenced by several factors, including business and market conditions.

During fiscal 2016, the Company’s Board of Directors authorized a quarterly dividend program. During fiscal 2018 and 2017, total cash dividends of $86.3 million and $80.9 million were paid, respectively. Subsequent to the end of the fourth quarter of fiscal 2018, on April 10, 2019, the Company’s Board of Directors declared a quarterly dividend increase to $0.17 per share to be paid on July 16, 2019 to shareholders of record at the close of business on June 14, 2019. The Company expects to pay quarterly cash dividends on its common stock in the future, subject to the determination by the Board of Directors, based on an evaluation of the Company’s earnings, financial condition and requirements, business conditions and other factors.

The Company has contractual obligations consisting mainly of principal and interest related to the senior unsecured notes, operating leases for stores, offices, distribution facilities and equipment, purchase obligations, long-term sale/leaseback and capital lease obligations and other long-term liabilities which the Company is obligated to pay as of March 2, 2019 as follows:

(in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Senior unsecured notes [1]	$ 1,495,377	$ —	$ —	$ —	$ 1,495,377
Interest on senior unsecured notes [1]	1,474,822	72,304	144,608	144,608	1,113,302
Operating lease obligations [2]	2,771,196	609,613	968,963	576,450	616,170
Purchase obligations [3]	942,296	942,296	—	—	—
Long-term sale/leaseback and capital lease obligations[4]	311,763	10,401	20,848	20,931	259,583
Other long-term liabilities [5]	439,183	—	—	—	—
Total Contractual Obligations	$ 7,434,637	$ 1,634,614	$ 1,134,419	$ 741,989	$ 3,484,432

(1) On July 17, 2014, the Company issued $300 million aggregate principal amount of 3.749% senior unsecured notes due August 1, 2024, $300 million aggregate principal amount of 4.915% senior unsecured notes due August 1, 2034 and $900 million aggregate principal amount of 5.165% senior unsecured notes due August 1, 2044. In fiscal 2018, the Company purchased and retired $4.6 million of senior unsecured notes due August 1, 2024.
(2) The amounts presented represent the future minimum lease payments under non-cancelable operating leases. In addition to minimum rent, certain of the Company's leases require the payment of additional costs for insurance, maintenance and other costs. These additional amounts are not included in the table of contractual commitments as the timing and/or amounts of such payments are not known. As of March 2, 2019, the Company has leased sites for 14 new or relocated locations planned for opening in fiscal 2018 or 2019, for which aggregate minimum rental payments over the term of the leases are approximately $101.5 million and are included in the table above.
(3) Purchase obligations primarily consist of purchase orders for merchandise.
(4) Long-term sale/leaseback and capital lease obligations represent future minimum lease payments under the sale/leaseback and capital lease agreements.
(5) Other long-term liabilities are primarily comprised of income taxes payable, deferred rent, workers' compensation and general liability reserves and various other accruals and are recorded as Deferred Rent and Other Liabilities and Income Taxes Payable in the consolidated balance sheet as of March 2, 2019. The amounts associated with these other long-term liabilities have been reflected only in the Total Column in the table above as the timing and / or amount of any cash payment is uncertain.

SEASONALITY

The Company’s business is subject to seasonal influences. Generally, its sales volumes are higher in the calendar months of August, November, and December, and lower in February.

INFLATION

The Company does not believe that its operating results have been materially affected by inflation during the past year. There can be no assurance, however, that the Company's operating results will not be affected by inflation in the future.

CRITICAL ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires the Company to establish accounting policies and to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on other assumptions that it believes to be relevant under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. In particular, judgment is used in areas such as inventory valuation, impairment of long-lived assets, goodwill and other indefinite lived intangible assets, accruals for self-insurance and income and certain other taxes. Actual results could differ from these estimates.

Inventory Valuation: Merchandise inventories are stated at the lower of cost or market. Inventory costs are primarily calculated using the weighted average retail inventory method.

Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail values of inventories. The cost associated with determining the cost-to-retail ratio includes: merchandise purchases, net of returns to vendors, discounts and volume and incentive rebates; inbound freight expenses; duty, insurance and commissions.

At any one time, inventories include items that have been written down to the Company's best estimate of their realizable value. Judgment is required in estimating realizable value and factors considered are the age of merchandise and anticipated demand. Actual realizable value could differ materially from this estimate based upon future customer demand or economic conditions.

The Company estimates its reserve for shrinkage throughout the year based on historical shrinkage and any current trends, if applicable. Actual shrinkage is recorded at year end based upon the results of the Company's physical inventory counts for locations at which counts were conducted. For locations where physical inventory counts were not conducted in the fiscal year, an estimated shrink reserve is recorded based on historical shrinkage and any current trends, if applicable. Historically, the Company's shrinkage has not been volatile.

The Company accrues for merchandise in transit once it takes legal ownership and title to the merchandise; as such, an estimate for merchandise in transit is included in the Company's merchandise inventories.

Impairment of Long-Lived Assets: The Company reviews long-lived assets for impairment when events or changes in circumstances indicate the carrying value of these assets may exceed their current fair values. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the assets. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. In fiscal 2018, the Company recorded a $23.0 million non-cash pre-tax impairment charge within goodwill and other impairments in the consolidated statement of operations for certain store-level assets. There were no impairments to long-lived assets in fiscal 2017 or 2016. In the future, if events or market conditions affect the estimated fair value to the extent that a long-lived asset is impaired, the Company will adjust the carrying value of these long-lived assets in the period in which the impairment occurs.

Goodwill and Other Indefinite Lived Intangible Assets: The Company reviews goodwill and other intangibles that have indefinite lives for impairment annually as of the end of the fiscal year or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. Impairment testing is based upon the best information available including estimates of fair value which incorporate assumptions marketplace participants would use in making their estimates of fair value. Significant assumptions and estimates are required, including, but not limited to, projecting future cash flows, determining appropriate discount rates and terminal growth rates, and other assumptions, to estimate the fair value of goodwill and indefinite lived intangible assets. Although the Company believes the assumptions and estimates made are reasonable and appropriate, different assumptions and estimates could materially impact its reported financial results. In addition, sustained declines in the Company's stock price and related market capitalization could impact key assumptions in the overall estimated fair values of its reporting units and could result

in non-cash impairment charges that could be material to the Company's consolidated balance sheet or result of operations. Prior to March 2, 2019, the Company has not historically recorded an impairment to its goodwill and other indefinite lived intangible assets.

As of March 2, 2019, the Company completed a quantitative impairment analysis of goodwill related to its reporting units by comparing the fair value of a reporting unit with its carrying amount. The Company performed a discounted cash flow analysis and market multiple analysis for each reporting unit. Based upon the analysis performed, the Company recognized goodwill impairment charges of $285.1 million and $40.1 million for the North American Retail and Institutional Sales reporting units, respectively. The non-cash pre-tax impairment charges were primarily the result of a sustained decline in the Company's market capitalization.

Other indefinite lived intangible assets were recorded as a result of acquisitions and primarily consist of tradenames. The Company values its tradenames using a relief-from-royalty approach, which assumes the value of the tradename is the discounted cash flows of the amount that would be paid by a hypothetical market participant had they not owned the tradename and instead licensed the tradename from another company. As of March 2, 2019, for certain other indefinite lived intangible assets, the Company completed a quantitative impairment analysis by comparing the fair value of the tradenames to their carrying value and recognized a non-cash pre-tax tradename impairment charge of $161.7 million, within goodwill and other impairments in the consolidated statement of operations, for certain of the tradenames within the North American Retail reporting unit. As of March 2, 2019, for the remaining other indefinite lived intangibles assets, the Company assessed qualitative factors in order to determine whether any events and circumstances existed which indicated that it was more likely than not that the fair value of these other indefinite lived assets did not exceed their carrying values and concluded no such events or circumstances existed which would require an impairment test be performed. In the future, if events or market conditions affect the estimated fair value to the extent that an asset is impaired, the Company will adjust the carrying value of these assets in the period in which the impairment occurs.

Self Insurance: The Company utilizes a combination of insurance and self insurance for a number of risks including workers' compensation, general liability, cyber liability, property liability, automobile liability and employee related health care benefits (a portion of which is paid by its employees). Liabilities associated with the risks that the Company retains are estimated by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions. Although the Company's claims experience has not displayed substantial volatility in the past, actual experience could materially vary from its historical experience in the future. Factors that affect these estimates include but are not limited to: inflation, the number and severity of claims and regulatory changes. In the future, if the Company concludes an adjustment to self insurance accruals is required, the liability will be adjusted accordingly.

Taxes: The Company accounts for its income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Act. The Tax Act included a mandatory one-time tax on accumulated earnings of foreign subsidiaries, and as a result, all previously unremitted earnings for which no U.S. deferred tax liability had been previously accrued has now been subject to U.S. tax. Notwithstanding the U.S. taxation of these amounts, the Company intends to continue to reinvest the unremitted earnings of its Canadian subsidiary. Accordingly, no additional provision has been made for U.S. or additional non-U.S. taxes with respect to these earnings, except for the transition tax resulting from the Tax Act. In the event of repatriation to the U.S., it is expected that such earnings would be subject to non-U.S. withholding taxes offset, in whole or in part, by U.S. foreign tax credits.

The Company recognizes the tax benefit from an uncertain tax position only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the taxing authorities.

Potential volatility in the effective tax rate from year to year may occur as the Company is required each year to determine whether new information changes the assessment of both the probability that a tax position will effectively be sustained and the appropriateness of the amount of recognized benefit.

The Company also accrues for certain other taxes as required by its operations.

Judgment is required in determining the provision for income and other taxes and related accruals, and deferred tax assets and liabilities. In the ordinary course of business, there are transactions and calculations where the ultimate tax outcome is uncertain.

Additionally, the Company's various tax returns are subject to audit by various tax authorities. Although the Company believes that its estimates are reasonable, actual results could differ from these estimates.

FORWARD-LOOKING STATEMENTS

This Form 10-K and Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements related to future, not past, events. In this context, forward-looking statements often address the Company's expected future business, financial performance and financial condition, and often contain words such as may, will, expect, anticipate, approximate, estimate, assume, continue, model, project, plan, goal, and similar words and phrases. The Company's actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include, without limitation: general economic conditions including the housing market, a challenging overall macroeconomic environment and related changes in the retailing environment; consumer preferences, spending habits and adoption of new technologies; demographics and other macroeconomic factors that may impact the level of spending for the types of merchandise sold by the Company; civil disturbances and terrorist acts; unusual weather patterns and natural disasters; competition from existing and potential competitors across all channels; pricing pressures; liquidity; the ability to achieve anticipated cost savings, and to not exceed anticipated costs, associated with organizational changes and investments; the ability to attract and retain qualified employees in all areas of the organization; the cost of labor, merchandise and other costs and expenses; potential supply chain disruption due to trade restrictions, political instability, labor disturbances, product recalls, financial or operational instability of suppliers or carriers, and other items; the ability to find suitable locations at acceptable occupancy costs and other terms to support the Company's plans for new stores; the ability to establish and profitably maintain the appropriate mix of digital and physical presence in the markets it serves; the ability to assess and implement technologies in support of the Company's development of its omnichannel capabilities; uncertainty in financial markets; volatility in the price of the Company's common stock and its effect, and the effect of other factors, on the Company's capital allocation strategy; the impact of goodwill and intangible asset impairments; disruptions to the Company's information technology systems including but not limited to security breaches of systems protecting consumer and employee information or other types of cybercrimes or cybersecurity attacks; reputational risk arising from challenges to the Company's or a third party product or service supplier's compliance with various laws, regulations or standards, including those related to labor, health, safety, privacy or the environment; reputational risk arising from third-party merchandise or service vendor performance in direct home delivery or assembly of product for customers; changes to statutory, regulatory and legal requirements, including without limitation proposed changes affecting international trade, changes to, or new, tax laws or interpretation of existing tax laws; new, or developments in existing, litigation, claims or assessments; changes to, or new, accounting standards; foreign currency exchange rate fluctuations; the integration of acquired businesses; and potential continuing uncertainty arising in connection with the announced intention by certain shareholders to seek control of the Company's Board of Directors. The Company does not undertake any obligation to update its forward-looking statements.

ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of March 2, 2019, the Company's investments include cash and cash equivalents of approximately $509.0 million, short-term investment securities of $485.8 million and long term investments in auction rate securities of approximately $19.9 million at weighted average interest rates of 1.49%, 2.43% and 2.75%, respectively. The book value of these investments is representative of their fair values.

The Company's senior unsecured notes have fixed interest rates and are not subject to interest rate risk. As of March 2, 2019, the fair value of the senior unsecured notes was $1.157 billion, which is based on quoted prices in active markets for identical instruments compared to the carrying value of approximately $1.495 billion.

ITEM 8 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following are included herein:

BED BATH & BEYOND INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(in thousands, except per share data)

	March 2, 2019	March 3, 2018
Assets		
Current assets:		
Cash and cash equivalents	**$ 508,971**	$ 346,140
Short term investment securities	**485,799**	378,039
Merchandise inventories	**2,618,922**	2,730,874
Prepaid expenses and other current assets	**296,280**	516,025
Total current assets	**3,909,972**	3,971,078
Long term investment securities	**20,010**	19,517
Property and equipment, net	**1,853,091**	1,909,289
Goodwill	**391,052**	716,283
Other assets	**396,416**	424,639
Total assets	**$ 6,570,541**	$ 7,040,806
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$ 1,094,078**	$ 1,197,504
Accrued expenses and other current liabilities	**623,734**	633,100
Merchandise credit and gift card liabilities	**339,322**	335,081
Current income taxes payable	**20,498**	—
Total current liabilities	**2,077,632**	2,165,685
Deferred rent and other liabilities	**395,409**	431,592
Income taxes payable	**49,235**	62,823
Long term debt	**1,487,934**	1,492,078
Total liabilities	**4,010,210**	4,152,178
Shareholders' equity:		
Preferred stock - $0.01 par value; authorized - 1,000 shares; no shares issued or outstanding	**—**	—
Common stock - $0.01 par value; authorized - 900,000 shares; issued 342,582 and 341,795, respectively; outstanding 132,233 and 140,498 shares, respectively	**3,426**	3,418
Additional paid-in capital	**2,118,673**	2,057,975
Retained earnings	**11,112,887**	11,343,503
Treasury stock, at cost	**(10,616,045)**	(10,467,972)
Accumulated other comprehensive loss	**(58,610)**	(48,296)
Total shareholders' equity	**2,560,331**	2,888,628
Total liabilities and shareholders' equity	**$ 6,570,541**	$ 7,040,806

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(in thousands, except per share data)

	Twelve Months Ended		
	March 2, 2019	**March 3, 2018**	**February 25, 2017**
Net sales	**$ 12,028,797**	$ 12,349,301	$ 12,215,757
Cost of sales	**7,924,817**	7,906,286	7,639,407
Gross profit	**4,103,980**	4,443,015	4,576,350
Selling, general and administrative expenses	**3,681,210**	3,681,694	3,441,140
Goodwill and other impairments	**509,905**	—	—
Operating (loss) profit	**(87,135)**	761,321	1,135,210
Interest expense, net	**69,474**	65,661	69,555
(Loss) earnings before provision for income taxes	**(156,609)**	695,660	1,065,655
(Benefit) provision for income taxes	**(19,385)**	270,802	380,547
Net (loss) earnings	**$ (137,224)**	$ 424,858	$ 685,108
Net (loss) earnings per share - Basic	**$ (1.02)**	$ 3.05	$ 4.61
Net (loss) earnings per share - Diluted	**$ (1.02)**	$ 3.04	$ 4.58
Weighted average shares outstanding - Basic	**134,292**	139,238	148,590
Weighted average shares outstanding - Diluted	**134,292**	139,739	149,708
Dividends declared per share	**$ 0.64**	$ 0.60	$ 0.50

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive (Loss) Income
(in thousands)

	Twelve Months Ended		
	March 2, 2019	**March 3, 2018**	**February 25, 2017**
Net (loss) earnings	**$ (137,224)**	$ 424,858	$ 685,108
Other comprehensive (loss) income:			
Change in temporary impairment of auction rate securities, net of taxes	**366**	95	(351)
Pension adjustment, net of taxes	**(482)**	2,021	1,710
Currency translation adjustment	**(10,198)**	(2,548)	6,389
Reclassification due to the adoption of ASU 2018-02	**—**	(614)	—
Other comprehensive (loss) income	**(10,314)**	(1,046)	7,748
Comprehensive (loss) income	**$ (147,538)**	$ 423,812	$ 692,856

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity
(in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount		
Balance at February 27, 2016	337,613	$ 3,377	$ 1,884,813	$ 10,394,865	(180,923)	$ (9,668,517)	$ (54,998)	$ 2,559,540
Net earnings				685,108				685,108
Other comprehensive loss, net of tax							7,748	7,748
Dividend declared				(76,083)				(76,083)
Shares sold under employee stock option plans, net of taxes	634	6	15,700					15,706
Issuance of restricted shares, net	1,102	11	(11)					—
Payment and vesting of performance stock units	180	1	(1)					—
Stock-based compensation expense, net			74,114					74,114
Director fees paid in stock	4		166					166
Repurchase of common stock, including fees					(12,336)	(547,022)		(547,022)
Balance at February 25, 2017	339,533	3,395	1,974,781	11,003,890	(193,259)	(10,215,539)	(47,250)	2,719,277
Net earnings				424,858				424,858
Other comprehensive income, net of tax				614			(1,046)	(432)
Dividend declared				(85,859)				(85,859)
Shares sold under employee stock option plans, net of taxes	359	4	10,157					10,161
Issuance of restricted shares, net	1,575	16	(16)					—
Payment and vesting of performance stock units	321	3	(3)					—
Stock-based compensation expense, net			72,904					72,904
Director fees paid in stock	7		152					152
Repurchase of common stock, including fees					(8,038)	(252,433)		(252,433)
Balance at March 3, 2018	341,795	3,418	2,057,975	11,343,503	(201,297)	(10,467,972)	(48,296)	2,888,628
Net earnings				(137,224)				(137,224)
Other comprehensive loss, net of tax							(10,314)	(10,314)
Effect of Adoption of ASU 2014-09				(4,221)				(4,221)
Dividend declared				(89,171)				(89,171)
Issuance of restricted shares, net	320	3	(3)					—
Payment and vesting of performance stock units	464	5	(5)					—
Stock-based compensation expense, net			60,657					60,657
Director fees paid in stock	3	—	49					49
Repurchase of common stock, including fees					(9,052)	(148,073)		(148,073)
Balance at March 2, 2019	**342,582**	**$ 3,426**	**$ 2,118,673**	**$ 11,112,887**	**(210,349)**	**$(10,616,045)**	**$ (58,610)**	**$ 2,560,331**

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(in thousands)

	Twelve Months Ended		
	March 2, 2019	**March 3, 2018**	**February 25, 2017**
Cash Flows from Operating Activities:			
Net (loss) earnings	**$ (137,224)**	$ 424,858	$ 685,108
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:			
Depreciation and amortization	**338,825**	313,107	290,914
Gain on sale of building	**(29,690)**	—	—
Gain on debt extinguishment	**(412)**	—	—
Goodwill and other impairments	**509,905**	—	—
Stock-based compensation	**58,514**	70,510	71,911
Deferred income taxes	**(104,089)**	175,351	24,878
Other	**(814)**	(69)	(1,032)
Decrease (increase) in assets, net of effect of acquisitions:			
Merchandise inventories	**106,928**	176,672	(38,493)
Trading investment securities	**86,277**	(16,036)	(18,780)
Other current assets	**269,186**	(258,853)	(18,464)
Other assets	**218**	(4,754)	(14,480)
(Decrease) increase in liabilities, net of effect of acquisitions:			
Accounts payable	**(90,657)**	13,210	49,458
Accrued expenses and other current liabilities	**(77,147)**	80,375	(8,586)
Merchandise credit and gift card liabilities	**16,016**	25,510	11,390
Income taxes payable	**8,360**	(64,941)	(8,307)
Deferred rent and other liabilities	**(35,918)**	(75,251)	17,754
Net cash provided by operating activities	**918,278**	859,689	1,043,271
Cash Flows from Investing Activities:			
Purchase of held-to-maturity investment securities	**(734,424)**	(292,500)	—
Redemption of held-to-maturity investment securities	**538,925**	—	86,240
Capital expenditures	**(325,366)**	(375,793)	(373,574)
Proceeds from sale of a building	**11,183**	—	—
Investment in unconsolidated joint venture	—	—	(3,318)
Payment for acquisitions, net of cash acquired	—	(6,119)	(201,277)
Net cash used in investing activities	**(509,682)**	(674,412)	(491,929)
Cash Flows from Financing Activities:			
Payment of dividends	**(86,287)**	(80,877)	(55,612)
Repurchase of common stock, including fees	**(148,073)**	(252,433)	(547,022)
Payment of senior notes	**(4,224)**	—	—
Proceeds from exercise of stock options	—	10,313	20,424
Payment of other liabilities	—	(434)	—
Net cash used in financing activities	**(238,584)**	(323,431)	(582,210)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	**(7,181)**	(4,035)	3,624
Net increase (decrease) in cash, cash equivalents and restricted cash	**162,831**	(142,189)	(27,244)
Cash, cash equivalents and restricted cash:			
Beginning of period	**367,140**	509,329	536,573
End of period	**$ 529,971**	$ 367,140	$ 509,329

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements
Bed Bath & Beyond Inc. and Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

A. Nature of Operations

Bed Bath & Beyond Inc. and subsidiaries (the "Company") is an omnichannel retailer selling a wide assortment of domestics merchandise and home furnishings which operates under the names Bed Bath & Beyond ("BBB"), Christmas Tree Shops, Christmas Tree Shops andThat! or andThat! (collectively, "CTS"), Harmon, Harmon Face Values or Face Values (collectively, "Harmon"), buybuy BABY ("Baby") and World Market, Cost Plus World Market or Cost Plus (collectively, "Cost Plus World Market"). Customers can purchase products from the Company either in-store, online, with a mobile device or through a customer contact center. The Company generally has the ability to have customer purchases picked up in-store or shipped direct to the customer from the Company's distribution facilities, stores or vendors. In addition, the Company operates Of a Kind, an e-commerce website that features specially commissioned, limited edition items from emerging fashion and home designers; One Kings Lane, an authority in home décor and design, offering a unique collection of select home goods, designer and vintage items; PersonalizationMall.com ("PMall"), an industry-leading online retailer of personalized products; Chef Central, a retailer of kitchenware, cookware and homeware items catering to cooking and baking enthusiasts; and Decorist, an online interior design platform that provides personalized home design services. The Company also operates Linen Holdings, a provider of a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, healthcare and other industries. Additionally, the Company is a partner in a joint venture which operates retail stores in Mexico under the name Bed Bath & Beyond.

The Company accounts for its operations as two operating segments: North American Retail and Institutional Sales. The Institutional Sales operating segment, which is comprised of Linen Holdings, does not meet the quantitative thresholds under U.S. generally accepted accounting principles and therefore is not a reportable segment. Net sales outside of the U.S. for the Company were not material for fiscal 2018, 2017, and 2016. As the Company operates in the retail industry, its results of operations are affected by general economic conditions and consumer spending habits.

B. Fiscal Year

The Company's fiscal year is comprised of the 52 or 53-week period ending on the Saturday nearest February 28th. Accordingly, fiscal 2018 and fiscal 2016 represented 52 weeks and ended on March 2, 2019 and February 25, 2017, respectively. Fiscal 2017 represented 53 weeks and ended March 3, 2018.

C. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company accounts for its investment in the joint venture under the equity method.

The fiscal 2017 and 2016 consolidated statements of cash flows were revised to include restricted cash due to the adoption of the Financial Accounting Standards Board ("FASB"), Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* in fiscal 2018.

All significant intercompany balances and transactions have been eliminated in consolidation.

D. Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires the Company to establish accounting policies and to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on other assumptions that it believes to be relevant under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. In particular, judgment is used in areas such as inventory valuation, impairment of long-lived assets, impairment of auction rate securities, goodwill and other indefinite lived intangible assets, accruals for self insurance, litigation, store opening, expansion, relocation and closing costs, the provision for sales returns, vendor allowances, stock-based compensation and income and certain other taxes. Actual results could differ from these estimates.

E. Recent Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which simplifies several aspects of the accounting for share-based payment transactions, including the

accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 requires, on a prospective basis, recognition of excess tax benefits and tax deficiencies (resulting from an increase or decrease in the fair value of an award from grant date to the vesting or exercise date) in the provision for income taxes as a discrete item in the period in which they occur. The ASU also changes the classification of excess tax benefits from a financing activity to an operating activity in the Company's consolidated statements of cash flows. In addition, ASU 2016-09 allows companies to make an accounting policy election to either estimate expected forfeitures or account for them as they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those years, with early adoption permitted. The Company adopted ASU 2016-09 during the first quarter of fiscal 2017. During the fiscal year ended March 3, 2018, the Company recognized in income tax expense discrete tax expenses of $13.0 million related to tax deficiencies. Additionally, the Company elected to account for forfeitures as an estimate of the number of awards that are expected to vest, which is consistent with its accounting policy prior to adoption of ASU 2016-09. The Company adopted the provisions of ASU 2016-09 related to changes in the consolidated statements of cash flows on a retrospective basis. As such, excess tax benefits are now classified as an operating activity in the Company's Consolidated Statements of Cash Flows instead of as a financing activity. As a result, excess tax benefits of $1.5 million for the twelve months February 25, 2017 were reclassified from financing activities to operating activities. ASU 2016-09 also requires that the value of shares withheld from employees upon vesting of stock awards in order to satisfy any applicable tax withholding requirements is presented within financing activities in the Company's Consolidated Statements of Cash Flows, which is consistent with the Company's historical presentation, and therefore had no impact to the Company.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. This guidance deferred the effective date of ASU 2014-09 for one year from the original effective date. In accordance with the deferral, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. In 2016, the FASB issued several amendments to clarify various aspects of the implementation guidance. ASU 2014-09 can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. At the beginning of the first quarter of fiscal 2018, the Company adopted ASU 2014-09 using the modified retrospective transition method and recognized the cumulative effect of applying this standard to opening retained earnings. The Company recorded a net after-tax reduction to opening retained earnings of approximately $4.2 million as of March 4, 2018. The comparative financial information has not been adjusted and continues to be reported under ASC Topic 605, *Revenue Recognition (Topic 605)*.

The majority of the Company's revenue is generated from the sale of products in its retail stores, which will continue to be recognized when control of the product is transferred to the customer. The adoption of ASU 2014-09 resulted in the following changes:

- A change in the timing of recognizing advertising expense related to direct response advertising. These costs that were previously expensed over the period during which the sales were expected to occur will now be expensed on the first day of the direct response advertising event.

- A change in the presentation of the sales return reserve on the consolidated balance sheet, as estimated costs of returns will be recorded as a current asset rather than netted with the sales return reserve.

- Changes in the presentation of certain other revenue streams on the consolidated statement of earnings between net sales, cost of sales, and selling, general and administrative expenses.

The below tables set forth the adjustments to the Company's consolidated statement of earnings and consolidated balance sheet as a result of the newly adopted revenue recognition standard.

	Twelve months ended March 2, 2019		
(In thousands)	As Reported	Balances Without Adoption of ASU 2014-09	Impact of Adoption Increase/(Decrease)
Net sales	$ 12,028,797	$ 12,038,964	$ (10,167)
Cost of sales	7,924,817	7,960,335	(35,518)
Gross profit	4,103,980	4,078,629	25,351
Selling, general and administrative expenses	3,681,210	3,657,157	24,053
Goodwill and other impairments	509,905	509,905	—
Operating (loss) profit	(87,135)	(88,433)	1,298
Interest expense, net	69,474	69,474	—
(Loss) earnings before provision for income taxes	(156,609)	(157,907)	1,298
(Benefit) provision for income taxes	(19,385)	(19,696)	311
Net (loss) earnings	$ (137,224)	$ (138,211)	$ 987
Net (loss) earnings per share - Diluted	$ (1.02)	$ (1.03)	$ 0.01

	March 2, 2019		
(In thousands)	As Reported	Balances Without Adoption of ASU 2014-09	Impact of Adoption Increase/(Decrease)
Assets			
Merchandise inventories	$ 2,618,922	$ 2,620,679	$ (1,757)
Prepaid expenses and other current assets	296,280	253,431	42,849
Liabilities and Shareholders' Equity			
Accrued expenses and other current liabilities	$ 623,734	$ 566,902	$ 56,832
Merchandise credit and gift card liabilities	339,322	350,567	(11,245)
Retained earnings	11,112,887	11,116,121	(3,234)

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. ASU 2017-01 requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of identifiable assets, the set of assets would not represent a business. Also, in order to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to produce outputs. Under the update, fewer sets of assets are expected to be considered businesses. ASU 2017-01 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company adopted this guidance at the beginning of the first quarter of fiscal 2018 and it did not have a material effect on the Company's consolidated financial position, results of operations, or cash flows.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. ASU 2017-04 eliminates the requirement to calculate the implied fair value of goodwill to measure the amount of impairment loss, if any, under the second step of the current goodwill impairment test. Under the update, the goodwill impairment loss would be measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Company adopted this guidance in the fourth quarter of fiscal 2018 and performed its annual goodwill impairment test in accordance with ASU 2017-04, which resulted in a non-cash pre-tax goodwill impairment charge of $325.2 million.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires entities to include restricted cash with cash and cash equivalents when reconciling the beginning-of -period and end-of period total amounts presented in the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Company adopted this standard in fiscal 2018 on a retrospective basis, which did not result in a material impact the Company's consolidated statements of cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This guidance requires an entity to recognize lease liabilities and a right-of-use asset for all leases on the balance sheet and to disclose key information about the entity's leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, with earlier adoption permitted. In July 2018, the FASB approved an amendment to the new guidance that allows companies the option of using the effective date of the new standard as the initial application (at the beginning of the period in which it is adopted, rather than at the beginning of the earliest comparative period) and to recognize the effects of applying the new ASU as a cumulative effect adjustment to the opening balance sheet or retained earnings. Based on the effective dates, the Company will adopt the new guidance at the beginning of the first quarter of fiscal 2019 using the new transition election to not restate comparative periods. The Company will elect the package of practical expedients upon adoption, which permits the Company to not reassess under the new standard the Company's prior conclusions about lease identification, lease classification, and initial direct costs. In addition, the Company will elect not to separate lease and non-lease components for all real estate leases and does not expect to elect the hindsight practical expedient. Lastly, the Company expects to elect a short-term lease exception policy, permitting it to exclude the recognition requirements of this standard from leases with initial terms of 12 months or less. Upon adoption, the Company expects to recognize right-of-use assets of approximately $1.8 billion to $2.2 billion and operating lease liabilities of approximately $2.0 billion to $2.4 billion on its consolidated balance sheet, with no significant change to its consolidated statements of operations or cash flows. In addition, the actual right-of-use asset amount will depend on the finalization of any impairment of the right-of-use assets, which is currently being reviewed by the Company and this adjustment will be recorded as a cumulative-effect adjustment to retained earnings upon adoption.

F. Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. Included in cash and cash equivalents are credit and debit card receivables from banks, which typically settle within five business days, of $92.9 million and $95.6 million as of March 2, 2019 and March 3, 2018, respectively.

G. Investment Securities

Investment securities consist primarily of U.S. Treasury Bills with remaining maturities of less than one year and auction rate securities, which are securities with interest rates that reset periodically through an auction process. The U.S. Treasury Bills are classified as short term held-to-maturity securities and are stated at their amortized cost which approximates fair value. Auction rate securities are classified as available-for-sale and are stated at fair value, which had historically been consistent with cost or par value due to interest rates which reset periodically, typically every 7, 28 or 35 days. As a result, there generally were no cumulative gross unrealized holding gains or losses relating to these auction rate securities. However, beginning in mid-February 2008 due to market conditions, the auction process for the Company's auction rate securities failed and continues to fail. These failed auctions result in a lack of liquidity in the securities, and affect their estimated fair values at March 2, 2019 and March 3, 2018, but do not affect the underlying collateral of the securities. (See "Fair Value Measurements," Note 4 and "Investment Securities," Note 5). All income from these investments is recorded as interest income.

Those investment securities which the Company has the ability and intent to hold until maturity are classified as held-to-maturity investments and are stated at amortized cost. Those investment securities which are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are stated at fair market value.

Premiums are amortized and discounts are accreted over the life of the security as adjustments to interest income using the effective interest method. Dividend and interest income are recognized when earned.

H. Inventory Valuation

Merchandise inventories are stated at the lower of cost or market. Inventory costs are primarily calculated using the weighted average retail inventory method.

Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail values of inventories. The cost associated with determining the cost-to-retail ratio includes: merchandise purchases, net of returns to vendors, discounts and volume and incentive rebates; inbound freight expenses; duty, insurance and commissions.

At any one time, inventories include items that have been written down to the Company's best estimate of their realizable value. Judgment is required in estimating realizable value and factors considered are the age of merchandise and anticipated demand. Actual realizable value could differ materially from this estimate based upon future customer demand or economic conditions.

The Company estimates its reserve for shrinkage throughout the year based on historical shrinkage and any current trends, if applicable. Actual shrinkage is recorded at year end based upon the results of the Company's physical inventory counts for locations at which counts were conducted. For locations where physical inventory counts were not conducted in the fiscal year, an estimated shrink reserve is recorded based on historical shrinkage and any current trends, if applicable. Historically, the Company's shrinkage has not been volatile.

The Company accrues for merchandise in transit once it takes legal ownership and title to the merchandise; as such, an estimate for merchandise in transit is included in the Company's merchandise inventories.

I. Property and Equipment

Property and equipment are stated at cost and are depreciated primarily using the straight-line method over the estimated useful lives of the assets (forty years for buildings; five to twenty years for furniture, fixtures and equipment; and three to ten years for computer equipment and software). Leasehold improvements are amortized using the straight-line method over the lesser of their estimated useful life or the life of the lease. Depreciation expense is primarily included within selling, general and administrative expenses.

The cost of maintenance and repairs is charged to earnings as incurred; significant renewals and betterments are capitalized. Maintenance and repairs amounted to $132.4 million, $125.7 million, and $131.6 million for fiscal 2018, 2017 and 2016, respectively.

J. Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment when events or changes in circumstances indicate the carrying value of these assets may exceed their current fair values. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the assets. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. In fiscal 2018, the Company recorded a $23.0 million non-cash pre-tax impairment charge within goodwill and other impairments in the consolidated statement of operations for certain store-level assets. There were no impairments to long-lived assets in fiscal 2017 or 2016. In the future, if events or market conditions affect the estimated fair value to the extent that a long-lived asset is impaired, the Company will adjust the carrying value of these long-lived assets in the period in which the impairment occurs.

K. Goodwill and Other Indefinite Lived Intangible Assets

The Company reviews goodwill and other intangibles that have indefinite lives for impairment annually as of the end of the fiscal year or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. Impairment testing is based upon the best information available including estimates of fair value which incorporate assumptions marketplace participants would use in making their estimates of fair value. Significant assumptions and estimates are required, including, but not limited to, projecting future cash flows, determining appropriate discount rates and terminal growth rates, and other assumptions, to estimate the fair value of goodwill and indefinite lived intangible assets. Although the Company believes the assumptions and estimates made are reasonable and appropriate, different assumptions and estimates could materially impact its reported financial results. In addition, sustained declines in the Company's stock price and related market capitalization could impact key assumptions in the overall estimated fair values of its reporting units and could result in non-cash impairment charges that could be material to the Company's consolidated balance sheet or results of operations. Prior to March 2, 2019, the Company has not historically recorded an impairment to its goodwill and other indefinite lived intangible assets.

As of March 2, 2019, the Company completed a quantitative impairment analysis of goodwill related to its reporting units by comparing the fair value of a reporting unit with its carrying amount. The Company performed a discounted cash flow analysis and market multiple analysis for each reporting unit. Based upon the analysis performed, the Company recognized non-cash pre-tax goodwill impairment charges of $285.1 million and $40.1 million for the North American Retail and Institutional Sales reporting units, respectively. The non-cash pre-tax impairment charges were primarily the result of a sustained decline in the Company's market capitalization.

Other indefinite-lived intangible assets were recorded as a result of acquisitions and primarily consist of tradenames. The Company values its tradenames using a relief-from-royalty approach, which assumes the value of the tradename is the discounted cash flows of the amount that would be paid by a hypothetical market participant had they not owned the tradename and instead licensed the tradename from another company. As of March 2, 2019, for certain other indefinite lived intangible assets, the Company completed a quantitative impairment analysis by comparing the fair value of the tradenames to their carrying value and recognized a non-cash pre-tax tradename impairment charge of $161.7 million, within goodwill and other impairments in the consolidated statement of

operations, for certain of the tradenames within the North American Retail reporting unit. As of March 2, 2019, for the remaining other indefinite lived intangibles assets, the Company assessed qualitative factors in order to determine wither any events and circumstances existed which indicated that it was more likely than not that the fair value of these other indefinite lived assets did not exceed their carrying values and concluded no such events or circumstances existed which would require an impairment test be performed. In the future, if events or market conditions affect the estimated fair value to the extent that an asset is impaired, the Company will adjust the carrying value of these assets in the period in which the impairment occurs.

Included within other assets in the accompanying consolidated balance sheets as of March 2, 2019 and March 3, 2018, respectively, are $143.8 million and $305.4 million for indefinite lived tradenames and trademarks.

L. Self Insurance

The Company utilizes a combination of insurance and self insurance for a number of risks including workers' compensation, general liability, cyber liability, property liability, automobile liability and employee related health care benefits (a portion of which is paid by its employees). Liabilities associated with the risks that the Company retains are estimated by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions. Although the Company's claims experience has not displayed substantial volatility in the past, actual experience could materially vary from its historical experience in the future. Factors that affect these estimates include but are not limited to: inflation, the number and severity of claims and regulatory changes. In the future, if the Company concludes an adjustment to self insurance accruals is required, the liability will be adjusted accordingly.

M. Deferred Rent

The Company accounts for scheduled rent increases contained in its leases on a straight-line basis over the term of the lease beginning as of the date the Company obtained possession of the leased premises. Deferred rent amounted to $75.2 million and $81.6 million as of March 2, 2019 and March 3, 2018, respectively.

Cash or lease incentives ("tenant allowances") received pursuant to certain store leases are recognized on a straight-line basis as a reduction to rent over the lease term. The unamortized portion of tenant allowances is included in deferred rent and other liabilities. The unamortized portion of tenant allowances amounted to $127.4 million and $133.4 million as of March 2, 2019 and March 3, 2018, respectively.

N. Shareholders' Equity

The Company has authorization to make repurchases of its common shares from time to time in the open market or through other parameters approved by the Board of Directors pursuant to existing rules and regulations.

Between December 2004 and September 2015, the Company's Board of Directors authorized, through several share repurchase programs, the repurchase of $11.950 billion of its shares of common stock. Since 2004 through the end of fiscal 2018, the Company has repurchased approximately $10.6 billion of its common stock through share repurchase programs. The Company also acquires shares of its common stock to cover employee related taxes withheld on vested restricted stock and performance stock unit awards.

During fiscal 2018, the Company repurchased approximately 9.1 million shares of its common stock at a total cost of approximately $148.1 million. During fiscal 2017, the Company repurchased approximately 8.0 million shares of its common stock at a total cost of approximately $252.4 million. During fiscal 2016 the Company repurchased approximately 12.3 million shares of its common stock at a total cost of approximately $547.0 million. The Company has approximately $1.3 billion remaining of authorized share repurchases as of March 2, 2019.

During fiscal 2016, the Company's Board of Directors authorized a quarterly dividend program. During fiscal 2018 and 2017, total cash dividends of $86.3 million and $80.9 million were paid, respectively. Subsequent to the end of the fourth quarter of fiscal 2018, on April 10, 2019, the Company's Board of Directors declared a quarterly dividend increase to $0.17 per share to be paid on July 16, 2019 to shareholders of record at the close of business on June 14, 2019. The Company expects to pay quarterly cash dividends on its common stock in the future, subject to the determination by the Board of Directors, based on an evaluation of the Company's earnings, financial condition and requirements, business conditions and other factors.

Cash dividends, if any, are accrued as a liability on the Company's consolidated balance sheets and recorded as a decrease to additional paid-in capital when declared.

O. Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, investment securities, accounts payable, long term debt and certain other liabilities. The Company's investment securities consist primarily of U.S. Treasury securities, which are stated at

amortized cost, and auction rate securities, which are stated at their approximate fair value. The book value of the financial instruments, excluding the Company's long term debt, is representative of their fair values (See "Fair Value Measurements," Note 4). The fair value of the Company's long term debt is approximately $1.157 billion as of March 2, 2019, which is based on quoted prices in active markets for identical instruments (i.e., Level 1 valuation), compared to the carrying value of approximately $1.495 billion.

P. Revenue Recognition

Sales are recognized upon purchase by customers at the Company's retail stores or upon delivery for products purchased from its websites. The value of point-of-sale coupons and point-of-sale rebates that result in a reduction of the price paid by the customer are recorded as a reduction of sales. Shipping and handling fees that are billed to a customer in a sale transaction are recorded in sales. Taxes, such as sales tax, use tax and value added tax, are not included in sales.

Revenues from gift cards, gift certificates and merchandise credits are recognized when redeemed. Gift cards have no provisions for reduction in the value of unused card balances over defined time periods and have no expiration dates. In fiscal 2018, the Company recognized net sales for gift card and merchandise credit redemptions of approximately $126.3 million which were included in merchandise credit and gift card liabilities on the consolidated balance sheet as of March 3, 2018.

Sales returns are provided for in the period that the related sales are recorded based on historical experience. Although the estimate for sales returns has not varied materially from historical provisions, actual experience could vary from historical experience in the future if the level of sales return activity changes materially. In the future, if the Company concludes that an adjustment is required due to material changes in the returns activity, the liability for estimated returns and the corresponding right of return asset will be adjusted accordingly. As of March 2, 2019, the liability for estimated returns of $90.4 million is included in accrued expenses and other current liabilities and the corresponding right of return asset for merchandise of $53.4 million is included in prepaid expenses and other current assets.

The Company sells a wide assortment of domestics merchandise and home furnishings. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings (including furniture and wall décor), consumables and certain juvenile products. Sales of domestics merchandise and home furnishings accounted for approximately 35.4% and 64.6% of net sales, respectively, for fiscal 2018, 35.5% and 64.5% of net sales, respectively, for fiscal 2017 and 36.8% and 63.2% of net sales, respectively, for fiscal 2016.

Q. Cost of Sales

Cost of sales includes the cost of merchandise, buying costs and costs of the Company's distribution network including inbound freight charges, distribution facility costs, receiving costs, internal transfer costs and shipping and handling costs.

R. Vendor Allowances

The Company receives allowances from vendors in the normal course of business for various reasons including direct cooperative advertising, purchase volume and reimbursement for other expenses. Annual terms for each allowance include the basis for earning the allowance and payment terms, which vary by agreement. All vendor allowances are recorded as a reduction of inventory cost, except for direct cooperative advertising allowances which are specific, incremental and identifiable. The Company recognizes purchase volume allowances as a reduction of the cost of inventory in the quarter in which milestones are achieved. Advertising costs were reduced by direct cooperative allowances of $37.0 million, $38.5 million, and $37.4 million for fiscal 2018, 2017, and 2016, respectively.

S. Store Opening, Expansion, Relocation and Closing Costs

Store opening, expansion, relocation and closing costs, including markdowns, asset residual values and projected occupancy costs, are charged to earnings as incurred.

T. Advertising Costs

Prior to fiscal 2018, expenses associated with direct response advertising were expensed over the period in which the sales were expected to occur, generally five to eight weeks. Beginning in fiscal 2018, due to the adoption of ASU 2014-09, advertising expense related to direct response advertising are expensed on the first day of the direct response advertising event. All other expenses associated with store advertising are charged to earnings as incurred. Net advertising costs amounted to$463.2 million, $444.4 million, and $381.1 million for fiscal 2018, 2017, and 2016, respectively.

U. Stock-Based Compensation

The Company measures all employee stock-based compensation awards using a fair value method and records such expense in its consolidated financial statements. Currently, the Company's stock-based compensation relates to restricted stock awards, stock options and performance stock units. The Company's restricted stock awards are considered nonvested share awards.

V. Income Taxes

The Company files a consolidated federal income tax return. Income tax returns are also filed with each taxable jurisdiction in which the Company conducts business.

The Company accounts for its income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act, (the "Tax Act"). The Tax Act included a mandatory one-time tax on accumulated earnings of foreign subsidiaries, and as a result, all previously unremitted earnings for which no U.S. deferred tax liability had been previously accrued has now been subject to U.S. tax. Notwithstanding the U.S. taxation of these amounts, the Company intends to continue to reinvest the unremitted earnings of its Canadian subsidiary. Accordingly, no additional provision has been made for U.S. or additional non-U.S. taxes with respect to these earnings, except for the transition tax resulting from the Tax Act. In the event of repatriation to the U.S., it is expected that such earnings would be subject to non-U.S. withholding taxes offset, in whole or in part, by U.S. foreign tax credits.

The Company recognizes the tax benefit from an uncertain tax position only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the taxing authorities.

Judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities. In the ordinary course of business, there are transactions and calculations where the ultimate tax outcome is uncertain. Additionally, the Company's tax returns are subject to audit by various tax authorities. Although the Company believes that its estimates are reasonable, actual results could differ from these estimates.

W. Earnings per Share

The Company presents earnings per share on a basic and diluted basis. Basic earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding. Diluted earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding, including the dilutive effect of stock-based awards as calculated under the treasury stock method.

Stock-based awards of approximately 8.2 million, 8.0 million, and 4.4 million shares were excluded from the computation of diluted earnings per share as the effect would be anti-dilutive for fiscal 2018, 2017, and 2016, respectively.

2. RESTRUCTURING ACTIVITIES

In the second quarter of fiscal 2017, the Company accelerated the realignment of its store management structure to support its customer-focused initiatives and omnichannel growth and expensed pre-tax cash restructuring charges of approximately $16.9 million, primarily for severance and related costs in conjunction with this realignment. During fiscal 2017, the Company paid $16.7 million of these costs.

3. ACQUISITIONS

On June 13, 2016, the Company acquired One Kings Lane, Inc., an authority in home décor and design, offering a unique collection of select home goods, designer and vintage items. Since the date of acquisition, the results of One Kings Lane's operations, which were not material, have been included in the Company's results of operations and no proforma disclosure of financial information has been presented. One Kings Lane is included in the North American Retail operating segment.

On November 23, 2016, the Company acquired PersonalizationMall.com, LLC, an industry-leading online retailer of personalized products, for an aggregate purchase price of approximately $190.3 million. Since the date of acquisition, the result of PMall's

operations, which were not material, have been included in the results of operations and no proforma disclosure of financial information has been presented. PMall is included in the North American Retail operating segment.

During the third quarter of fiscal 2017, the Company finalized the valuation of assets acquired and liabilities assumed. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

(in millions)	As of November 23, 2016
Current assets	$ 15.5
Property and equipment and other non-current assets	9.3
Goodwill	194.2
Intangible assets	10.4
Total assets acquired	229.4
Accounts payable and other liabilities	(39.1)
Total net assets acquired	$ 190.3

Included within intangible assets above is approximately $10.0 million for tradenames, which is not subject to amortization. The tradenames and goodwill are expected to be deductible for tax purposes.

On January 27, 2017, the Company acquired certain assets including the brand, website and certain intellectual property assets and assumed certain contractual obligations of Chef Central, a retailer of kitchenware, cookware and homeware items catering to cooking and baking enthusiasts. Since the date of acquisition, the results of Chef Central's operations, which were not material, have been included in the Company's results of operations and no proforma disclosure of financial information has been presented. Chef Central is included in the North American Retail operating segment. (See "Transactions and Balances with Related Parties," Note 9).

On March 6, 2017, the Company acquired Decorist, Inc., an online interior design platform that provides personalized home design services. Since the date of acquisition, the results of Decorist's operations, which were not material, have been included in the Company's results of operations and no proforma disclosure of financial information has been presented. Decorist is included in the North American Retail operating segment.

4. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., "the exit price") in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation approaches, including quoted market prices and discounted cash flows. The hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect a company's judgment concerning the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset or liability must be classified in its entirety based on the lowest level of input that is significant to the measurement of fair value. The fair value hierarchy is broken down into three levels based on the reliability of inputs as follows:

• Level 1 – Valuations based on quoted prices in active markets for identical instruments that the Company is able to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

• Level 2 – Valuations based on quoted prices in active markets for instruments that are similar, or quoted prices in markets that are not active for identical or similar instruments, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

• Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

As of March 2, 2019, the Company's financial assets utilizing Level 1 inputs include short term trading investment securities traded on active securities exchanges. The Company did not have any financial assets utilizing Level 2 inputs. Financial assets utilizing Level 3 inputs included long term investments in auction rate securities consisting of preferred shares of closed end municipal bond funds (See "Investment Securities," Note 5).

5. INVESTMENT SECURITIES

The Company's investment securities as of March 2, 2019 and March 3, 2018 are as follows:

(in millions)	**March 2, 2019**	**March 3, 2018**
Available-for-sale securities:		
Long term	**$ 19.9**	$ 19.4
Trading securities:		
Short term	**—**	86.3
Held-to-maturity securities:		
Short term	**485.8**	291.7
Total investment securities	**$ 505.7**	$ 397.4

Auction Rate Securities

As of March 2, 2019 and March 3, 2018, the Company's long term available-for-sale investment securities represented approximately $20.3 million par value of auction rate securities, consisting of preferred shares of closed end municipal bond funds, less temporary valuation adjustments of approximately $0.4 million and $0.9 million, respectively. Since these valuation adjustments are deemed to be temporary, they are recorded in accumulated other comprehensive loss, net of a related tax benefit, and did not affect the Company's net earnings.

U.S. Treasury Securities

As of March 2, 2019, the Company's short term held-to-maturity securities included approximately $485.8 million of U.S. Treasury Bills with remaining maturities of less than one year. These securities are stated at their amortized cost which approximates fair value, which is based on quoted prices in active markets for identical instruments (i.e., Level 1 valuation). As of March 3, 2018, the Company had $291.7 short term held-to-maturity securities.

Trading Investment Securities

The Company's trading investment securities, which are provided as investment options to the participants of the nonqualified deferred compensation plan, are stated at fair market value (See "Employee Benefit Plans," Note 11). The value of these trading investment securities included in the table above was approximately $86.3 million as of March 3, 2018.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

(in thousands)	**March 2, 2019**	**March 3, 2018**
Land and buildings	**$ 587,684**	$ 588,115
Furniture, fixtures and equipment	**1,469,835**	1,409,157
Leasehold improvements	**1,623,015**	1,543,452
Computer equipment and software	**1,659,589**	1,500,199
	5,340,123	5,040,923
Less: Accumulated depreciation	**(3,487,032)**	(3,131,634)
Property and equipment, net	**$ 1,853,091**	$ 1,909,289

7. LONG TERM DEBT

Senior Unsecured Notes

On July 17, 2014, the Company issued $300 million aggregate principal amount of 3.749% senior unsecured notes due August 1, 2024 (the “2024 Notes”), $300 million aggregate principal amount of 4.915% senior unsecured notes due August 1, 2034 (the “2034 Notes”) and $900 million aggregate principal amount of 5.165% senior unsecured notes due August 1, 2044 (the “2044 Notes” and, together with the 2024 Notes and the 2034 Notes, the “Notes”). Interest on the Notes is payable semi-annually on February 1 and August 1 of each year. In fiscal 2018, the Company purchased and retired $4.6 million of senior unsecured notes due August 1, 2024.

The Notes were issued under an indenture (the “Base Indenture”), as supplemented by a first supplemental indenture (together, with the Base Indenture, the “Indenture”), which contains various restrictive covenants, which are subject to important limitations and exceptions that are described in the Indenture. The Company was in compliance with all covenants related to the Notes as of March 2, 2019.

The Notes are unsecured, senior obligations and rank equal in right of payment to any of the Company’s existing and future senior unsecured indebtedness. The Company may redeem the Notes at any time, in whole or in part, at the redemption prices described in the Indenture plus accrued and unpaid interest to the redemption date. If a change in control triggering event, as defined by the Indenture governing the Notes, occurs unless the Company has exercised its right to redeem the Notes, the Company will be required to make an offer to the holders of the Notes to purchase the Notes at 101% of their principal amount, plus accrued and unpaid interest.

Revolving Credit Agreement

On November 14, 2017, the Company replaced its existing $250 million five year senior unsecured revolving credit facility agreement with various lenders with a new $250 million five year senior unsecured revolving credit facility agreement ("Revolver") with various lenders maturing November 14, 2022. The new Revolver has essentially the same terms and requirements as the prior revolving credit facility agreement. For fiscal 2018 and 2017, the Company did not have any borrowings under the Revolver.

Borrowings under the Revolver accrue interest at either (1) a fluctuating rate equal to the greater of the prime rate, as defined in the Revolver, the Federal Funds Rate plus 0.50%, or one-month LIBOR plus 1.0% and, in each case, plus an applicable margin based upon the Company’s leverage ratio which is calculated quarterly, (2) a periodic fixed rate equal to LIBOR plus an applicable margin based upon the Company’s leverage ratio which is calculated quarterly or (3) an agreed upon fixed rate. In addition, a commitment fee is assessed, which is included in interest expense, net in the consolidated statement of operations. The Revolver contains customary affirmative and negative covenants and also requires the Company to maintain a maximum leverage ratio. The Company was in compliance with all covenants related to the Revolver as of March 2, 2019.

Deferred financing costs associated with the Notes and the current and former Revolvers of approximately $10.5 million were capitalized. In the accompanying consolidated balance sheets, the deferred financing costs are included in long term debt, net of amortization, for the Notes and are included in other assets, net of amortization, for the Revolver. These deferred financing costs for the Notes and the Revolver are being amortized over the term of each of the Notes and the term of the Revolver and such amortization is included in interest expense, net in the consolidated statement of operations. Interest expense related to the Notes and the Revolver, including the commitment fee and the amortization of the deferred financing costs, was approximately $73.0 million, $74.4 million, and $73.4 million for fiscal 2018, 2017 and 2016, respectively.

Lines of Credit

At March 2, 2019, the Company maintained two uncommitted lines of credit of $100 million each, with expiration dates of August 30, 2019 and February 23, 2020, respectively. These uncommitted lines of credit are currently and are expected to be used for letters of credit in the ordinary course of business. During fiscal 2018 and 2017, the Company did not have any direct borrowings under the uncommitted lines of credit. As of March 2, 2019, there was approximately $18.8 million of outstanding letters of credit. Although no assurances can be provided, the Company intends to renew both uncommitted lines of credit before the respective expiration dates. In addition, as of March 2, 2019, the Company maintained unsecured standby letters of credit of $47.0 million, primarily for certain insurance programs.

8. PROVISION FOR INCOME TAXES

On December 22, 2017, the U.S. government enacted the Tax Act. The Tax Act significantly revised the U.S. tax code by, among other things, (i) reducing the federal corporate income tax rate, effective January 1, 2018, from 35% to 21%, (ii) imposing a one-

time transition tax on earnings of foreign subsidiaries deemed to be repatriated and (iii) implementing a modified territorial tax system.

In March 2018, the FASB issued ASU 2018-05, *Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 118 ("SAB 118").* This update provided guidance on income tax accounting implications under the Tax Act. SAB 118 addressed the application of GAAP to situations when a registrant does not have the necessary information available, prepared or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Tax Act and allows companies to record provisional amounts during a remeasurement period not to exceed one year after the enactment date while the accounting impact remains under analysis.

The Company has reasonably estimated the impact of the Tax Act in its fiscal 2017 provision for income taxes in accordance with its interpretation of the Tax Act and available guidance. The Tax Act resulted in a net unfavorable tax impact of approximately $10.5 million recorded in the fiscal fourth quarter of 2017.

As of December 22, 2018, the Company completed its review of the previously recorded provisional amounts related to the Tax Act and recorded an immaterial favorable adjustment to these amounts during fiscal 2018. The provisional amounts were related to the remeasurement of the Company's net deferred tax assets and the transition tax on accumulated foreign earnings, which collectively totaled approximately $26.8 million as of March 3, 2018.

The components of the provision for income taxes are as follows:

	FISCAL YEAR ENDED		
(in thousands)	**March 2, 2019**	**March 3, 2018**	**February 25, 2017**
Current:			
Federal	**$ 61,721**	$ 82,044	$ 313,571
State and local	**22,995**	13,554	42,101
	84,716	95,598	355,672
Deferred:			
Federal	**(83,576)**	157,057	20,295
State and local	**(20,525)**	18,147	4,580
	(104,101)	175,204	24,875
	$ (19,385)	$ 270,802	$ 380,547

At March 2, 2019 and March 3, 2018, included in other assets is a net deferred income tax asset of $115.1 million and $11.0 million, respectively. These amounts represent the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets and liabilities consist of the following:

(in thousands)	**March 2, 2019**	**March 3, 2018**
Deferred tax assets:		
Inventories	**$ 24,292**	$ 26,657
Deferred rent and other rent credits	**42,147**	47,893
Insurance	**23,300**	22,274
Stock-based compensation	**16,097**	23,690
Nonqualified deferred compensation plan	**6,771**	19,671
Merchandise credits and gift card liabilities	**43,630**	36,793
Accrued expenses	**26,550**	29,557
Obligations on distribution facilities	**26,618**	26,210
Carryforwards and other tax credits	**48,115**	48,221
Other	**26,400**	28,972
Deferred tax liabilities:		
Depreciation	**(132,120)**	(125,067)
Goodwill	**(3,337)**	(54,254)
Intangibles	**(19,414)**	(55,091)
Prepaid expenses	**(854)**	(52,723)
Other	**(13,115)**	(11,778)
	$ 115,080	$ 11,025

At March 2, 2019, the Company has federal net operating loss carryforwards of $3.4 million (tax effected), which will begin expiring in 2025, state net operating loss carryforwards of $3.5 million (tax effected), which will expire between 2018 and 2031, California state enterprise zone credit carryforwards of $2.2 million (tax effected), which will expire in 2023, but require taxable income in the enterprise zone to be realizable.

The Company has not established a valuation allowance for the net deferred tax asset as it is considered more likely than not that it is realizable through a combination of future taxable income and the deductibility of future net deferred tax liabilities.

The following table summarizes the activity related to the gross unrecognized tax benefits from uncertain tax positions:

(in thousands)	**March 2, 2019**	**March 3, 2018**
Balance at beginning of year	**$ 75,443**	$ 76,415
Increase related to current year positions	**6,490**	11,437
Increase related to prior year positions	**2,822**	4,128
Decrease related to prior year positions	**(6,128)**	(1,823)
Settlements	**(2,338)**	(1,448)
Lapse of statute of limitations	**(14,352)**	(13,266)
Balance at end of year	**$ 61,937**	$ 75,443

Gross unrecognized tax benefits are classified in non-current income taxes payable (or a contra deferred tax asset) on the consolidated balance sheet for uncertain tax positions taken (or expected to be taken) on a tax return. As of March 2, 2019 and March 3, 2018, approximately $61.9 million and $75.4 million, respectively, of gross unrecognized tax benefits would impact the Company's effective tax rate. As of March 2, 2019 and March 3, 2018, the liability for gross unrecognized tax benefits included approximately $8.3 million

and $9.6 million, respectively, of accrued interest. The Company recorded a decrease of interest of approximately $0.9 million for the fiscal year ended March 2, 2019 and an increase of approximately $1.5 million for the fiscal year ended March 3, 2018 for gross unrecognized tax benefits in the consolidated statement of earnings.

The Company anticipates that any adjustments to gross unrecognized tax benefits which will impact income tax expense, due to the expiration of statutes of limitations, could be approximately $4 million in the next twelve months. However, actual results could differ from those currently anticipated.

As of March 2, 2019, the Company operated in all 50 states, the District of Columbia, Puerto Rico, Canada and several other international countries and files income tax returns in the United States and various state, local and international jurisdictions. The Company is currently under examination by the Internal Revenue Service for the tax year 2015. The Company is open to examination for state, foreign and local jurisdictions with varying statutes of limitations, generally ranging from three to five years.

For fiscal 2018, the effective tax rate is comprised of the federal statutory income tax rate of 21.00%, the State income tax rate, net of federal benefit, of 1.38%, provision for uncertain tax positions of 7.24%, the impact of the Tax Act of 2.70%, the impact of goodwill non-deductible impairment charges of 18.64%, the impact of tax deficiencies related to stock-based compensation of 6.48%, the impact of various tax credits of 4.53% and other income taxes benefits of 3.41%. For fiscal 2017, the effective tax rate is comprised of the federal statutory income tax rate of 32.66%, the State income tax rate, net of federal benefit, of 4.12%, the net impact of the Tax Act of 3.86%, provision for uncertain tax positions of 0.32%, the impact of tax deficiencies related to stock-based compensation of 1.39%, the benefit of various tax credits of 0.96% and other income tax benefits of 2.46%. For fiscal 2016, the effective tax rate is comprised of the federal statutory income tax rate of 35.00%, the State income tax rate, net of federal benefit, of 3.25%, provision for uncertain tax positions of 0.28%, the benefit of various tax credits of 0.64% and other income tax benefits of 2.18%.

9. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

In fiscal 2002, the Company had an interest in certain life insurance policies on the lives of its Co-Founders and their spouses. The Company's interest in these policies was equivalent to the net premiums paid by the Company. The agreements relating to the Company's interest in the life insurance policies on the lives of its Co-Founders and their spouses were terminated in fiscal 2003. Upon termination in fiscal 2003, the Co-Founders paid to the Company $5.4 million, representing the total amount of premiums paid by the Company under the agreements and the Company was released from its contractual obligation to make substantial future premium payments. In order to confer a benefit to its Co-Founders in substitution for the aforementioned terminated agreements, the Company has agreed to pay to the Co-Founders, at a future date, an aggregate amount of $4.2 million, which is included in accrued expenses and other current liabilities as of March 2, 2019 and March 3, 2018.

On January 27, 2017, the Company acquired certain assets including the brand, website and certain intellectual property assets and assumed certain contractual obligations of Chef Central, a retailer of kitchenware, cookware and homeware items catering to cooking and baking enthusiasts. Ron Eisenberg, the son of Warren Eisenberg, the Company's Co-Founder, was the founder and owner of Chef Central, and joined the Company as an employee to build Chef Central branded stores or departments. Mr. Eisenberg brought more than 30 years of specialty retail experience and the transaction also added knowledgeable and talented associates to the Company with great culinary retailing expertise. Warren Eisenberg recused himself from Board of Director deliberations relating to the transaction (See "Acquisitions," Note 3).

On April 21, 2019, Warren Eisenberg and Leonard Feinstein transitioned to the role of Co-Founders and Co-Chairmen Emeriti of the Board of Directors of the Company. As a result of this transition, Mr. Eisenberg and Mr. Feinstein ceased to be officers of the Company effective as of April 21, 2019.

10. LEASES

The Company leases retail stores, as well as distribution facilities, offices and equipment, under agreements expiring at various dates through 2041. Certain leases provide for contingent rents (which are based upon store sales exceeding stipulated amounts and are immaterial in fiscal 2018, 2017, and 2016), scheduled rent increases and renewal options. The Company is obligated under a majority of the leases to pay for taxes, insurance and common area maintenance charges.

As of March 2, 2019, future minimum lease payments under non-cancelable operating leases were as follows:

(in thousands)		Operating Leases
Fiscal Year:		
2019	$	609,613
2020		534,055
2021		434,908
2022		334,587
2023		241,863
Thereafter		616,170
Total future minimum lease payments	$	2,771,196

Expenses for all operating leases were $593.3 million, $614.1 million, and $582.2 million for fiscal 2018, 2017, and 2016, respectively.

As of March 2, 2019 and March 3, 2018, the capital lease obligations were approximately $3.8 million and $4.5 million, respectively, for which the current and long-term portions are included within accrued expenses and other current liabilities and deferred rent and other liabilities, respectively, in the consolidated balance sheet. Monthly minimum lease payments are accounted for as principal and interest payments. Interest expense for all capital leases was $0.3 million, $0.3 million, and $0.4 million for fiscal 2018, 2017, and 2016, respectively. The minimum capital lease payments, including interest, by fiscal year are: $0.9 million in fiscal 2019, $0.8 million in fiscal 2020, $0.7 million in fiscal 2021, $0.6 million in fiscal 2022, $0.6 million in fiscal 2023 and $1.0 million thereafter.

The Company has financing obligations, related to two sale/leaseback agreements, which approximated the discounted fair value of the minimum lease payments, had a residual fair value at the end of the lease term and are being amortized over the term of the respective agreements, including option periods, of 32 and 37 years. As of March 2, 2019 and March 3, 2018, the sale/leaseback financing obligations were approximately $101.7 million and $102.5 million, respectively, for which the current and long-term portions are included within accrued expenses and other current liabilities and deferred rent and other liabilities, respectively, in the consolidated balance sheet. Monthly lease payments are accounted for as principal and interest payments (at approximate annual interest rates of 7.2% and 10.6%). These sale/leaseback financing obligations, excluding the residual fair value at the end of the lease term, mature as follows: $0.8 million in fiscal 2019, $0.9 million in fiscal 2020, $0.9 million in fiscal 2021, $1.0 million in fiscal 2022, $1.0 million in fiscal 2023 and $75.4 million thereafter.

11. EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

The Company has three defined contribution savings plans covering all eligible employees of the Company ("the Plans"). Participants of the Plans may defer annual pre-tax compensation subject to statutory and Plan limitations. In addition, a certain percentage of an employee's contributions are matched by the Company and vest over a specified period of time, subject to certain statutory and Plan limitations. The Company's match was approximately $15.5 million, $16.4 million, and $15.2 million for fiscal 2018, 2017, and 2016, respectively, which was expensed as incurred.

Nonqualified Deferred Compensation Plan

On December 27, 2017, the Company terminated its nonqualified deferred compensation plan ("NQDC"). After December 27, 2017, no participant deferrals were accepted and all balances were to be liquidated more than 12 months but less than 24 months after December 27, 2017. During fiscal 2018, all participants balances were liquidated and disbursed to those participants.

The Company's NQDC was for the benefit of employees who are defined by the Internal Revenue Service as highly compensated. Participants of the NQDC were able to defer annual pre-tax compensation subject to statutory and plan limitations. In addition, a certain percentage of an employee's contributions may have been matched by the Company and vested over a specified period of time, subject to certain plan limitations. The Company's match was approximately $0.6 million, $0.6 million, and $0.5 million in fiscal 2018, 2017, and 2016, respectively, which was expensed as incurred.

Changes in the fair value of the trading securities related to the NQDC and the corresponding change in the associated liability are included within interest income and selling, general and administrative expenses respectively, in the consolidated statements of earnings. Historically, these changes have resulted in no net impact to the consolidated statements of earnings.

Defined Benefit Plan

The Company has a non-contributory defined benefit pension plan for the CTS employees, hired on or before July 31, 2003, who meet specified age and length-of-service requirements. The benefits are based on years of service and the employee's compensation up until retirement. The Company recognizes the overfunded or underfunded status of the pension plan as an asset or liability in its statement of financial position and recognizes changes in the funded status in the year in which the changes occur. For the years ended March 2, 2019, March 3, 2018 and February 25, 2017, the net periodic pension cost was not material to the Company's results of operations. The Company has a $1.6 million asset, which is included in other assets as of March 2, 2019 and $14.3 million liability, which is included in deferred rent and other liabilities as of March 3, 2018. In addition, as of March 2, 2019 and March 3, 2018, the Company recognized a loss of $3.7 million, net of taxes of $1.3 million, and a loss of $3.2 million, net of taxes of $1.1 million, respectively, within accumulated other comprehensive loss.

12. COMMITMENTS AND CONTINGENCIES

The District Attorney's office for the County of Ventura, California, together with District Attorneys for other counties in California (together, the "District Attorneys"), recently concluded an investigation regarding the management and disposal at the Company's stores in California of certain materials that may be deemed hazardous or universal waste under California law. On March 19, 2019, the District Attorneys provided the Company with a settlement demand that included a proposed civil penalty, reimbursement of investigation costs, and certain injunctive relief, including modifications to the Company's existing compliance program, which already includes associate training, on-going review of disposal rules applicable to various product categories, and specialized third-party disposal. The Company is working with the District Attorneys towards a resolution of this matter and has recorded an accrual for the estimated probable loss for this matter as of March 2, 2019. While no assurance can be given as to its ultimate outcome, the Company does not believe that the final resolution of this matter will have a material effect on the Company's consolidated financial position, results of operations or liquidity.

The Company maintains employment agreements with its Co-Founders. Under these agreements, the Co-Founders could at any time elect senior status (i.e., to be continued to be employed to provide non-line executive consultative services). On May 11, 2017, the Co-Founders notified the Company that they elected to commence their Senior Status Period, effective May 21, 2017. The Co-Founders are entitled to a base salary, termination payments, postretirement benefits and other terms and conditions of employment, pursuant to the senior status provisions of these employment agreements. On April 21, 2019, Warren Eisenberg and Leonard Feinstein transitioned to the role of Co-Founders and Co-Chairmen Emeriti of the Board of Directors of the Company. As a result of this transition, Mr. Eisenberg and Mr. Feinstein ceased to be officers of the Company effective as of April 21, 2019, and became entitled to the payments and benefits provided under their employment agreements that apply in the case of a termination without cause, which generally include continued senior status payments until May 2027 and continued participation for the Co-Founders (and their spouses, if applicable) at the Company's expense, in medical, dental, hospitalization and life insurance and in all other employee plans and programs in which the Co-Founders (or their family) were participating as of the date of termination and other or additional benefits in accordance with the applicable plans and programs until the earlier of death of the survivor of the Co-Founder and his spouse or the date(s) he receives equivalent coverage and benefits from a subsequent employer. In addition, the Co-Founders are entitled to supplemental pension payments specified in their employment agreements until the death of the survivor of the Co-Founder and his spouse, reduced by the continued senior status payments referenced in the foregoing sentence.

In addition, the Company maintains employment agreements with other executives which provide for severance pay and, in some instances, certain other supplemental retirement benefits.

The Company records an estimated liability related to its various claims and legal actions arising in the ordinary course of business when and to the extent that it concludes a liability is probable and the amount of the loss can be reasonably estimated. Such estimated loss is based on available information and advice from outside counsel, where appropriate. As additional information becomes available, the Company reassesses the potential liability related to claims and legal actions and revises its estimated liabilities, as appropriate. The Company expects the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. The Company also cannot predict the nature and validity of claims which could be asserted in the future, and future claims could have a material impact on its earnings.

13. SUPPLEMENTAL CASH FLOW INFORMATION

The Company paid income taxes of $61.3 million, $203.9 million, and $364.4 million in fiscal 2018, 2017, and 2016, respectively. In addition, the Company had interest payments of approximately $81.4 million, $81.3 million, and $81.4 million in fiscal 2018, 2017, and 2016, respectively.

The Company recorded an accrual for capital expenditures of $51.7 million, $63.7 million, and $59.0 million as of March 2, 2019, March 3, 2018 and February 25, 2017, respectively. In addition, the Company recorded an accrual for dividends payable of $28.3 million and $25.5 million as of March 2, 2019 and March 3, 2018, respectively. The Company did not declare any dividends prior to fiscal 2016. In fiscal 2018, the Company recorded a $31.1 million note receivable in connection with the sale of a building.

14. STOCK-BASED COMPENSATION

The Company measures all employee stock-based compensation awards using a fair value method and records such expense, net of estimated forfeitures, in its consolidated financial statements. Currently, the Company's stock-based compensation relates to restricted stock awards, stock options and performance stock units. The Company's restricted stock awards are considered nonvested share awards.

Stock-based compensation expense for the fiscal year ended March 2, 2019, March 3, 2018 and February 25, 2017 was approximately $58.5 million ($51.3 million after tax or $0.38 per diluted share), $70.5 million ($43.1 million after tax or $0.31 per diluted share), and approximately $71.9 million ($46.3 million after tax or $0.31 per diluted share), respectively. In addition, the amount of stock-based compensation cost capitalized for the years ended March 2, 2019 and March 3, 2018 was approximately $2.3 million and $2.4 million, respectively.

Incentive Compensation Plans

The Company currently grants awards under the Bed Bath & Beyond 2018 Incentive Compensation Plan (the "2018 Plan"), which includes an aggregate of 4.6 million shares of common stock authorized for issuance of awards permitted under the 2018 Plan, including stock options, stock appreciation rights, restricted stock awards, performance awards and other stock based awards. The 2018 Plan supplements the Bed Bath & Beyond 2012 Incentive Compensation Plan (the "2012 Plan"), which amended and restated the Bed Bath & Beyond 2004 Incentive Compensation Plan (the "2004 Plan"). The 2012 Plan includes an aggregate of 43.2 million common shares authorized for issuance of awards permitted under the 2012 Plan (similar to the 2018 Plan). Outstanding awards that were covered by the 2004 Plan continue to be in effect under the 2012 Plan.

Similar to the 2012 Plan, the 2018 Plan is a flexible compensation plan that enables the Company to offer incentive compensation through stock options (whether nonqualified stock options or incentive stock options), restricted stock awards, stock appreciation rights, performance awards and other stock based awards, including cash awards. Under the 2018 Plan, grants are determined by the Compensation Committee for those awards granted to executive officers and by an appropriate committee for all other awards granted. Awards of stock options and restricted stock generally vest in five equal annual installments beginning one to three years from the date of grant. Awards of performance stock units generally vest over a period of four years from the date of grant dependent on the Company's achievement of performance-based tests and subject, in general, to the executive remaining in the Company's service on specified vesting dates.

The Company generally issues new shares for stock option exercises, restricted stock awards and vesting of performance stock units.

Stock Options

Stock option grants are issued at fair market value on the date of grant and generally become exercisable in either three or five equal annual installments beginning one year from the date of grant for options issued since May 10, 2010, and beginning one to three years from the date of grant for options issued prior to May 10, 2010, in each case, subject, in general to the recipient remaining in the Company's service on specified vesting dates. Option grants expire eight years after the date of grant. All option grants are nonqualified. As of March 2, 2019, unrecognized compensation expense related to the unvested portion of the Company's stock options was $10.1 million, which is expected to be recognized over a weighted average period of 2.8 years.

The fair value of the stock options granted was estimated on the date of the grant using a Black-Scholes option-pricing model that uses the assumptions noted in the following table.

	FISCAL YEAR ENDED		
Black-Scholes Valuation Assumptions (1)	**March 2, 2019**	**March 3, 2018**	**February 25, 2017**
Weighted Average Expected Life (in years) (2)	**6.7**	6.7	6.6
Weighted Average Expected Volatility (3)	**34.96%**	26.49%	26.96%
Weighted Average Risk Free Interest Rates (4)	**2.92%**	2.17%	1.46%
Expected Dividend Yield (5)	**3.80%**	1.60%	1.10%

(1) Forfeitures are estimated based on historical experience.
(2) The expected life of stock options is estimated based on historical experience.
(3) Expected volatility is based on the average of historical and implied volatility. The historical volatility is determined by observing actual prices of the Company's stock over a period commensurate with the expected life of the awards. The implied volatility

represents the implied volatility of the Company's call options, which are actively traded on multiple exchanges, had remaining maturities in excess of twelve months, had market prices close to the exercise prices of the employee stock options and were measured on the stock option grant date.
(4) Based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected life of the stock options.
(5) Expected dividend yield is estimated based on anticipated dividend payouts.

Changes in the Company's stock options for the fiscal year ended March 2, 2019 were as follows:

(Shares in thousands)	Number of Stock Options	Weighted Average Exercise Price
Options outstanding, beginning of period	4,241	$ 55.76
Granted	1,065	16.85
Exercised	—	—
Forfeited or expired	(911)	49.96
Options outstanding, end of period	4,395	47.53
Options exercisable, end of period	2,308	$ 61.79

The weighted average fair value for the stock options granted in fiscal 2018, 2017, and 2016 was $4.31, $9.50, and $11.87, respectively. The weighted average remaining contractual term and the aggregate intrinsic value for options outstanding as of March 2, 2019 was 4.3 years and the aggregate intrinsic value was $0. The weighted average remaining contractual term for options exercisable as of March 2, 2019 was 2.6 years and the aggregate intrinsic value was $0. No stock options were exercised during fiscal 2018. The total intrinsic value for stock options exercised during fiscal 2017 and 2016 was $3.9 million and $9.0 million, respectively.

Restricted Stock

Restricted stock awards are issued and measured at fair market value on the date of grant and generally become vested in five equal annual installments beginning one to three years from the date of grant, subject, in general, to the recipient remaining in the Company's service on specified vesting dates. Vesting of restricted stock is based solely on time vesting. As of March 2, 2019, unrecognized compensation expense related to the unvested portion of the Company's restricted stock awards was $99.3 million, which is expected to be recognized over a weighted average period of 4.0 years.

Changes in the Company's restricted stock for the fiscal year ended March 2, 2019 were as follows:

(Shares in thousands)	Number of Restricted Shares	Weighted Average Grant-Date Fair Value
Unvested restricted stock, beginning of period	4,311	$ 48.07
Granted	695	18.08
Vested	(884)	54.14
Forfeited	(375)	41.51
Unvested restricted stock, end of period	3,747	$ 41.73

Performance Stock Units

Performance stock units ("PSUs") are issued and measured at fair market value on the date of grant. Vesting of PSUs awarded to certain of the Company's executives is dependent on the Company's achievement of a performance-based test during a one-year period from the date of grant and during a three-year period from the date of grant and, assuming achievement of the performance-based test, time vesting over periods of up to four years, subject, in general, to the executive remaining in the Company's service on specified vesting dates. Performance during the one-year period will be based on Earnings Before Interest and Taxes ("EBIT") margin relative to a peer group of the Company and performance during the three-year period will be based on Return on Invested Capital ("ROIC") or a combination of EBIT margin and ROIC relative to such peer group. The awards based on EBIT margin and ROIC range from a floor of zero to a cap of 150% of target achievement. PSUs are converted into shares of common stock upon payment following vesting. Upon grant of the PSUs, the Company recognizes compensation expense related to these awards based

on the assumption that 100% of the target award will be achieved. The Company evaluates the target assumption on a quarterly basis and adjusts compensation expense related to these awards, as appropriate. As of March 2, 2019, unrecognized compensation expense related to the unvested portion of the Company's performance stock units was $16.3 million, which is expected to be recognized over a weighted average period of 1.7 years.

Changes in the Company's PSUs for the fiscal year ended March 2, 2019 were as follows:

(Shares in thousands)	Number of Performance Stock Units	Weighted Average Grant-Date Fair Value
Unvested performance stock units, beginning of period	1,352	$ 46.06
Granted	1,274	16.90
Vested	(492)	50.82
Forfeited	(52)	43.28
Unvested performance stock units, end of period	2,082	$ 27.16

15. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

	FISCAL 2018 QUARTER ENDED				FISCAL 2017 QUARTER ENDED			
(in thousands, except per share data)	June 2, 2018	September 1, 2018	December 1, 2018	March 2, 2019	May 27, 2017	August 26, 2017	November 25, 2017	March 3, 2018
Net sales	$ 2,753,667	$ 2,935,018	$ 3,032,231	$ 3,307,881	$ 2,742,141	$ 2,936,357	$ 2,954,539	$ 3,716,264
Gross profit	964,848	988,561	1,003,710	1,146,861	1,000,115	1,068,559	1,041,061	1,333,280
Operating profit (loss)	81,229	78,858	49,513	(296,735)	147,011	168,847	108,360	337,103
Earnings (loss) before provision for income taxes	64,497	64,247	26,822	(312,175)	130,431	149,681	94,739	320,809
Provision (benefit) for income taxes	20,921	15,608	2,468	(58,382)	55,148	55,451	33,438	126,765
Net earnings (loss)	$ 43,576	$ 48,639	$ 24,354	$ (253,793)	$ 75,283	$ 94,230	$ 61,301	$ 194,044
EPS-Basic (1)	$ 0.32	$ 0.36	$ 0.18	$ (1.92)	$ 0.53	$ 0.67	$ 0.44	$ 1.41
EPS-Diluted (1)	$ 0.32	$ 0.36	$ 0.18	$ (1.92)	$ 0.53	$ 0.67	$ 0.44	$ 1.41
Dividends declared per share	$ 0.160	$ 0.160	$ 0.160	$ 0.160	$ 0.150	$ 0.150	$ 0.150	$ 0.150

(1) Net earnings per share ("EPS") amounts for each quarter are required to be computed independently and may not equal the amount computed for the total year.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
Bed Bath & Beyond Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Bed Bath & Beyond Inc. and subsidiaries (the Company) as of March 2, 2019 and March 3, 2018, the related consolidated statements of operations, comprehensive (loss) income, shareholders' equity, and cash flows for each of the years in the three-year period ended March 2, 2019, and the related notes and the consolidated financial statement schedule (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 2, 2019 and March 3, 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended March 2, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 2, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 30, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 1992.

Short Hills, New Jersey
April 30, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Shareholders and Board of Directors
Bed Bath & Beyond Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Bed Bath & Beyond Inc. and subsidiaries' (the Company) internal control over financial reporting as of March 2, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 2, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of March 2, 2019 and March 3, 2018, the related consolidated statements of operations, comprehensive (loss) income, shareholders' equity, and cash flows for each of the years in the three-year period ended March 2, 2019, and the related notes and consolidated financial statement schedule, (collectively, the consolidated financial statements), and our report dated April 30, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Short Hills, New Jersey
April 30, 2019

ITEM 9 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A – CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Based on their evaluation as of March 2, 2019, our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective to ensure that the information required to be disclosed by our management in the reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our disclosure controls and procedures are designed to provide such reasonable assurance of achieving their objectives, and our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures are effective at that reasonable assurance level.

(b) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our management assessed the effectiveness of our internal control over financial reporting as of March 2, 2019. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), released in 2013, Internal Control-Integrated Framework.

Our management has concluded that, as of March 2, 2019, our internal control over financial reporting is effective based on these criteria.

(c) Attestation Report of the Independent Registered Public Accounting Firm

KPMG LLP issued an audit report on the effectiveness of our internal control over financial reporting, which is included herein.

(d) Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the quarter ended March 2, 2019 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B – OTHER INFORMATION

None.

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

(a) Directors of the Company

Information relative to Directors of the Company is set forth under the section captioned "Election of Directors" in the registrant's definitive Proxy Statement for the 2019 Annual Meeting of Shareholders ("the Proxy Statement") and is incorporated herein by reference.

(b) Executive Officers of the Company

Information relative to Executive Officers of the Company is set forth under the section captioned "Executive Officers" in the Proxy Statement and is incorporated herein by reference.

(c) Information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 is set forth under the section captioned "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement and is incorporated herein by reference.

(d) Information on our audit committee and the audit committee financial expert is set forth under the section captioned "Audit Committee" in the Proxy Statement and is incorporated herein by reference.

(e) The Company has adopted a code of ethics entitled "Policy Of Ethical Standards For Business Conduct" that applies to all of its employees, including Executive Officers, and the Board of Directors, the complete text of which is available through the Investor Relations section of the Company's website, www.bedbathandbeyond.com.

ITEM 11 – EXECUTIVE COMPENSATION

The information required by this item is set forth under the section captioned "Executive Compensation" in the Proxy Statement and is incorporated herein by reference.

ITEM 12 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The Equity Plan Compensation Information required by this item is included below; all other information required by this item is in the Proxy Statement and is incorporated herein by reference.

The following table provides certain information as of March 2, 2019 with respect to the Company's equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders (1)	7,187,798 (2)	$ 47.53 (3)	6,234,083
Equity compensation plans not approved by shareholders	—	—	—
Total (4)	7,187,798 (2)	$ 47.53 (3)	6,234,083

(1) These plans consist of the Company's 2004 Incentive Compensation Plan and the 2012 Incentive Compensation Plan, which amended and restated the 2004 Incentive Compensation Plan.

(2) This amount includes 2,792,819 shares that may be issued upon the vesting of performance stock units granted under the 2012 Incentive Compensation Plan, which represents the estimated maximum number of shares that may be issued upon the vesting of the performance stock units. This amount also includes 4,394,979 of stock options outstanding.

(3) The weighted-average exercise price solely takes into account outstanding stock options as other outstanding awards under the 2004 Incentive Compensation Plan and the 2012 Incentive Compensation Plan do not have an exercise price.

(4) Any shares of common stock that are subject to awards of options or stock appreciation rights under the 2012 Incentive Compensation Plan shall be counted against the aggregate number of shares of common stock that may be issued as one share for every share issued. Any shares of common stock that are subject to awards other than options or stock appreciation rights, including restricted stock awards and performance stock units, shall be counted against this limit as 2.20 shares for every share granted.

ITEM 13 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is set forth under the sections captioned "Director Independence" and "Certain Relationships and Related Transactions" in the Proxy Statement and is incorporated herein by reference.

ITEM 14 – PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15 – EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Consolidated Financial Statements of Bed Bath & Beyond Inc. and subsidiaries are incorporated under Item 8 of this Form 10-K.

(a) (2) Financial Statement Schedules

For the Fiscal Years Ended March 2, 2019, March 3, 2018 and February 25, 2017.

Schedule II – Valuation and Qualifying Accounts

(a) (3) Exhibits

Unless otherwise indicated, exhibits are incorporated by reference to the correspondingly numbered exhibits to the Company's Registration Statement on Form S-1 (Commission File No. 33-47250).

Exhibit No.	Exhibit
3.1***	Restated Certificate of Incorporation
3.2	Certificate of Amendment to the Company's Certificate of Incorporation (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q/A for the quarter ended August 25, 1996)
3.3	Certificate of Amendment to the Company's Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 30, 1997)
3.4	Certificate of Change of Bed Bath & Beyond Inc. under Section 805-A of the Business Corporation Law (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 30, 1997)
3.5	Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 30, 1998)
3.6	Certificate of Amendment of Certificate of Incorporation of the Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 1, 2001)
3.7	Certificate of Amendment of Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K dated July 1, 2009)
3.8	Amended By-Laws of Bed Bath & Beyond Inc. (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q filed with the Commission on December 28, 2017)
3.9	Amendment to By-Laws of Bed Bath & Beyond Inc. (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on April 22, 2019)
4.1	Indenture, dated as of July 17, 2014, relating to the 3.749% senior unsecured notes due 2024, the 4.915% senior unsecured notes due 2034 and the 5.165% senior unsecured notes due 2044, between the Company and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed with the Commission on July 17, 2014)
4.2	First Supplemental Indenture, dated as of July 17, 2014, relating to the 3.749% senior unsecured notes due 2024, the 4.915% senior unsecured notes due 2034 and the 5.165% senior unsecured notes due 2044, between the Company and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed with the Commission on July 17, 2014)
4.3	Form of 3.749% senior unsecured notes due 2024 (incorporated by reference to Exhibit 4.3 to the Company's Form 8-K filed with the Commission on July 17, 2014)
4.4	Form of 4.915% senior unsecured notes due 2034 (incorporated by reference to Exhibit 4.4 to the Company's Form 8-K filed with the Commission on July 17, 2014)
4.5	Form of 5.165% senior unsecured notes due 2044 (incorporated by reference to Exhibit 4.5 to the Company's Form 8-K filed with the Commission on July 17, 2014)
10.1*	Stock Option Agreement between the Company and Warren Eisenberg, dated as of August 26, 1997 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 30, 1997)
10.2*	Stock Option Agreement between the Company and Leonard Feinstein, dated as of August 26, 1997 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 30, 1997)

10.3*	Company's 1992 Stock Option Plan, as amended through August 26, 1997 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 30, 1997)
10.4*	Company's 1996 Stock Option Plan, as amended through August 26, 1997 (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 30, 1997)
10.5*	Employment Agreement between the Company and Steven H. Temares (dated as of December 1, 1994) (incorporated by reference to Exhibit 10.16 to the Company's Form 10-K for the year ended February 28, 1998)
10.6*	Form of Employment Agreement between the Company and the Chief Merchandising Officer and Senior Vice President and Senior Vice President – Stores (dated as of December 1, 1994) (incorporated by reference to Exhibit 10.17 to the Company's Form 10-K for the year ended February 28, 1998)
10.7*	Company's 1998 Stock Option Plan (incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 30, 1998)
10.8*	Stock Option Agreement between the Company and Warren Eisenberg, dated as of August 13, 1999 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 27, 1999)
10.9*	Stock Option Agreement between the Company and Leonard Feinstein, dated as of August 13, 1999 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 27, 1999)
10.10*	Form of Standard Stock Option Agreement (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 27, 1999)
10.11*	Company's 2000 Stock Option Plan (incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 27, 2000 which is incorporated by reference to Exhibit A to the Registrant's Proxy Statement dated May 22, 2000)
10.12*	Form of Standard Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 26, 2000)
10.13*	Company's 2001 Stock Option Plan (incorporated by reference to Exhibit 10.29 to the Company's Form 10-K for the year ended March 3, 2001)
10.14*	Form of Standard Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 1, 2002)
10.15*	Form of Standard Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 2002)
10.16*	Agreement Terminating Agreements concerning "Split Dollar" Life Insurance Plan, dated May 9, 1994 and June 16, 1995, among the Company, Jay D. Waxenberg, as trustee of the Warren Eisenberg Life Insurance Trust, Warren Eisenberg and Maxine Eisenberg (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended November 29, 2003)
10.17*	Agreement Terminating Agreements concerning "Split Dollar" Life Insurance Plan, dated May 9, 1994 and June 16, 1995, among the Company, Jay D. Waxenberg, as trustee of the Leonard Joseph Feinstein Life Insurance Trust and Leonard Feinstein (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended November 29, 2003)
10.18*	Compensation Agreement concerning Substitute Benefit Payments upon Termination of "Split Dollar" Life Insurance Plan between the Company and Warren Eisenberg, dated as of February 27, 2004 (incorporated by reference to Exhibit 10.20 to the Company's Form 10-K for the year ended February 28, 2004)
10.19*	Compensation Agreement concerning Substitute Benefit Payments upon Termination of "Split Dollar" Life Insurance Plan between the Company and Leonard Feinstein, dated as of February 27, 2004 (incorporated by reference to Exhibit 10.21 to the Company's Form 10-K for the year ended February 28, 2004)
10.20*	Employment Agreement between the Company and Eugene A. Castagna (dated as of March 1, 2000) (incorporated by reference to Exhibit 10.22 to the Company's Form 10-K for the year ended February 28, 2004)
10.21*	Company's 2004 Incentive Compensation Plan (incorporated by reference to Exhibit B to the Registrant's Proxy Statement dated May 28, 2004)
10.22*	Form of Standard Stock Option Agreement dated as of May 10, 2004 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended May 29, 2004)
10.23*	Form of Stock Option Agreement under 2004 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended August 28, 2004)
10.24*	Form of Restricted Stock Agreement under 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended May 28, 2005)
10.25*	Performance-Based Form of Restricted Stock Agreement under 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended May 28, 2005)

10.26*	Form of Stock Option Agreement under 2004 Stock Option Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended August 27, 2005)
10.27*	Company's Nonqualified Deferred Compensation Plan (effective January 1, 2006) (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated January 5, 2006)
10.28*	Addendum to Stock Option Agreements for Warren Eisenberg, Leonard Feinstein and Steven H. Temares, dated as of December 27, 2006 (incorporated by reference to Exhibit 10.31 to the Company's Form 10-K for the year ended March 3, 2007)
10.29*	Addendum to Stock Option Agreements for Eugene A. Castagna, Matthew Fiorilli and Arthur Stark dated December 28, 2006 (incorporated by reference to Exhibit 10.32 to the Company's Form 10-K for the year ended March 3, 2007)
10.30*	Amended and Restated Employment Agreement between the Company and Warren Eisenberg, dated as of December 31, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended November 29, 2008)
10.31*	Amended and Restated Employment Agreement between the Company and Leonard Feinstein, dated as of December 31, 2008 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended November 29, 2008)
10.32*	Bed Bath & Beyond Inc. Policy on Recovery of Incentive Compensation (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended May 30, 2009)
10.33*	Performance-Based Form of Restricted Stock Agreement under 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended May 30, 2009)
10.34*	Form of Amendment to Employment Agreement of Steven H. Temares, Eugene A. Castagna, Matthew Fiorilli and Arthur Stark, dated May, 2007 in the case of Messrs. Temares, Fiorilli and Stark, and July, 2007 in the case of Mr. Castagna (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended August 29, 2009)
10.35*	Amended and Restated Supplemental Executive Retirement Benefit Agreement between the Company and Steven H. Temares, dated November 16, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated November 19, 2009)
10.36*	Escrow Agreement with Respect to Supplemental Executive Retirement Benefit Agreement between the Company and Steven H. Temares, dated November 16, 2009 (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated November 19, 2009)
10.37*	Amendment dated as of August 13, 2010 to Amended and Restated Employment Agreement between the Company and Warren Eisenberg, dated as of December 31, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended August 28, 2010)
10.38*	Amendment dated as of August 13, 2010 to Amended and Restated Employment Agreement between the Company and Leonard Feinstein, dated as of December 31, 2008 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended August 28, 2010)
10.39*	Bed Bath & Beyond Inc. 2012 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Commission on June 26, 2012)
10.40*	Performance-Based Form of Restricted Stock Agreement under 2012 Stock Incentive Plan (incorporated by reference to Exhibit 10.39 to the Company's Form 10-K for the year ended March 1, 2013)
10.41*	Form of Stock Option Agreement under 2012 Stock Option Plan (incorporated by reference to Exhibit 10.40 to the Company's Form 10-K for the year ended March 1, 2013)
10.42*	Notice of Amendment to Restricted Stock Agreements, dated on or before June 11, 2012 (incorporated by reference to Exhibit 10.41 to the Company's Form 10-K for the year ended March 1, 2013)
10.43*	Letter agreement dated as of June 28, 2013 between the Company and Warren Eisenberg (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Commission on July 2, 2013)
10.44*	Letter agreement dated as of June 28, 2013 between the Company and Leonard Feinstein (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed with the Commission on July 2, 2013)
10.45*	Amendment dated as of February 26, 2014 to Amended and Restated Employment Agreement between the Company and Warren Eisenberg, dated as of December 31, 2008, as previously amended as of June 29, 2010 and August 13, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Commission on February 28, 2014)
10.46*	Amendment dated as of February 26, 2014 to Amended and Restated Employment Agreement between the Company and Leonard Feinstein, dated as of December 31, 2008, as previously amended as of June 29, 2010 and August 13, 2010 (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed with the Commission on February 28, 2014)
10.47*	Form of Standard Performance Unit Agreement under 2012 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Commission on May 9, 2014)

10.48*	Employment Agreement between the Company and Susan E. Lattmann (dated as of October 6, 2014) (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the Commission on October 8, 2014)
10.49*	Form of Performance Stock Unit Agreement under 2012 Incentive Compensation Plan (effective 2015) (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the Commission on July 8, 2015)
10.50*	Amended and Restated Nonqualified Deferred Compensation Plan (effective January 1, 2016) (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the Commission on July 6, 2016)
10.51*	Amended and Restated Nonqualified Deferred Compensation Plan (effective January 1, 2008) (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed with the Commission on July 6, 2016)
10.52*	Form of Performance Stock Unit Agreement under 2012 Incentive Compensation Plan (effective 2016) (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed with the Commission on July 6, 2016)
10.53*	Letter agreement dated February 7, 2017 between the Company and Warren Eisenberg (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Commission on February 9, 2017)
10.54*	Letter agreement dated February 7, 2017 between the Company and Leonard Feinstein (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed with the Commission on February 9, 2017)
10.55*	Form of Standard Performance Stock Unit Agreement under 2012 Incentive Compensation Plan (effective 2017) (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the Commission on June 30, 2017)
10.56*	Form of Performance Stock Unit Agreement under 2012 Incentive Compensation Plan (effective 2017) for Steven H. Temares (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed with the Commission on June 30, 2017)
10.57*	Amendment dated as of November 1, 2017 to Employment Agreement between the Company and Susan Lattmann (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the Commission on December 28, 2017)
10.58*	Form of Amendment to Employment Agreement of Matthew Fiorilli and Arthur Stark, dated December 14, 2006 in the case of Mr. Fiorilli and December 22, 2006 in the case of Mr. Stark (incorporated by reference to Exhibit 10.58 to the Company's Form 10-K filed with the Commission on May 2, 2018)
10.59*	Amendment to Employment Agreement of Eugene A. Castagna, dated December 22, 2006 (incorporated by reference to Exhibit 10.58 to the Company's Form 10-K filed with the Commission on May 2, 2018)
10.60*	Amendment to Employment Agreement of Steven H. Temares, dated August 21, 2009 (incorporated by reference to Exhibit 10.58 to the Company's Form 10-K filed with the Commission on May 2, 2018)
10.61*	Voluntary salary waiver between the Company and Steven H. Temares (dated as of May 14, 2018) (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the Commission on July 6, 2018)
10.62*	Employment Agreement between the Company and Robyn M. D'Elia (dated as of June 4, 2018) (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Commission on June 5, 2018)
10.63*	Bed Bath & Beyond Inc. 2018 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Commission on June 29, 2018)
21**	Subsidiaries of the Company
23**	Consent of Independent Registered Public Accounting Firm
31.1**	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
31.2**	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
32**	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

*	This is a management contract or compensatory plan or arrangement.
**	Filed herewith.
***	This Exhibit was originally filed in paper format. Accordingly, a hyperlink has not been provided.

ITEM 16 – FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BED BATH & BEYOND INC.

By: */s/ Steven H. Temares*
Steven H. Temares
Chief Executive Officer
April 30, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ Warren Eisenberg **Warren Eisenberg**	Director	April 30, 2019
/s/ Leonard Feinstein **Leonard Feinstein**	Director	April 30, 2019
/s/ Steven H. Temares **Steven H. Temares**	Chief Executive Officer and Director	April 30, 2019
/s/ Robyn M. D'Elia **Robyn M. D'Elia**	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	April 30, 2019
/s/ Dean S. Adler **Dean S. Adler**	Director	April 30, 2019
/s/ Stanley Barshay **Stanley Barshay**	Director	April 30, 2019
/s/ Stephanie Bell-Rose **Stephanie Bell-Rose**	Director	April 30, 2019
/s/ Klaus Eppler **Klaus Eppler**	Director	April 30, 2019
/s/ Patrick R. Gaston **Patrick R. Gaston**	Director	April 30, 2019
/s/ Jordan Heller **Jordan Heller**	Director	April 30, 2019
/s/ Victoria A. Morrison **Victoria A. Morrison**	Director	April 30, 2019
s/ Johnathan B. Osborne **Johnathan B. Osborne**	Director	April 30, 2019
/s/ Virginia P. Ruesterholz **Virginia P. Ruesterholz**	Director	April 30, 2019

+Bed Bath & Beyond Inc. and Subsidiaries

Schedule II - Valuation and Qualifying Accounts
Fiscal Years Ended March 2, 2019, March 3, 2018 and February 25, 2017
(amounts in millions)

Column A	Column B	Column C	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Income	Additions Charged to Other Accounts	Adjustments and/or Deductions	Balance at End of Period
Sales Returns and Allowance					
Year Ended:					
March 2, 2019	$ 41.2	$ 488.5	$ 95.5 (1)	$ 534.7	$ 90.5
March 3, 2018	45.4	614.9	—	619.1	41.2
February 25, 2017	44.5	666.4	1.6 (2)	667.1	45.4

(1) Due to the adoption of Financial Accounting Standards Board, Accounting Standard Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

(2) Principally due to acquisitions during the fiscal year ended February 25, 2017.

Exhibit 21

SUBSIDIARIES OF BED BATH & BEYOND INC.

The following are all of the subsidiaries of Bed Bath & Beyond Inc. other than: (i) 100% owned subsidiaries of Bed 'n Bath Stores Inc. holding no assets other than a single store lease and, in some cases, fully depreciated fixed assets; (ii) 100% owned subsidiaries of Harmon Stores, Inc. holding no assets other than a single store lease and, in some cases, fully depreciated fixed assets; (iii) 100% owned subsidiaries of Buy Buy Baby, Inc. holding no assets other than a single store lease and, in some cases, fully depreciated fixed assets; and (iv) omitted subsidiaries which in the aggregated would not constitute a significant subsidiary.

Name	***Jurisdiction***
Bed Bath & Beyond of California Limited Liability Company	Delaware
Bed Bath & Beyond Canada L.P.	Ontario
Buy Buy Baby, Inc.	Delaware
Christmas Tree Shops, Inc.	Massachusetts
Cost Plus, Inc.	California
Cost Plus Management Services, Inc.	California
Harmon Stores, Inc.	Delaware
Harbor Linen, LLC	Delaware
Liberty Procurement Co. Inc.	New York
PersonalizationMall.com, LLC	Delaware

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Bed Bath & Beyond Inc:

We consent to the incorporation by reference in the registration statement (Nos. 33-63902, 33-87602, 333-18011, 333-75883, 333-64494, 333-126169, 333-182528, and 333-227939) on Form S-8 and in the registration statement (No. 333-197267) on Form S-3 of Bed Bath & Beyond Inc. and subsidiaries of our reports dated April 30, 2019, with respect to the consolidated balance sheets of Bed Bath & Beyond Inc. and subsidiaries as of March 2, 2019 and March 3, 2018, the related consolidated statements of operations, comprehensive (loss) income, shareholders' equity, and cash flows for each of the years in the three-year period ended March 2, 2019, and the related notes and the consolidated financial statement schedule, and the effectiveness of internal control over financial reporting as of March 2, 2019, which reports appear in the March 2, 2019 annual report on Form 10-K of Bed Bath & Beyond Inc. and subsidiaries.

/s/ KPMG LLP

Short Hills, New Jersey
April 30, 2019

Exhibit 31.1

CERTIFICATION

I, Steven H. Temares, certify that:

1. I have reviewed this annual report on Form 10-K of Bed Bath & Beyond Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2019

/s/ Steven H. Temares
Steven H. Temares
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Robyn M. D'Elia, certify that:

1. I have reviewed this annual report on Form 10-K of Bed Bath & Beyond Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2019

/s/ Robyn M. D'Elia
Robyn M. D'Elia
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 32

CERTIFICATION

The undersigned, the Principal Executive Officer and Principal Financial Officer of Bed Bath & Beyond Inc. (the "Company"), hereby certify, to the best of their knowledge and belief, that the Form 10-K of the Company for the annual period ended March 2, 2019, (the "Periodic Report") accompanying this certification fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company. The foregoing certification is provided solely for purposes of complying with the provisions of Section 906 of the Sarbanes – Oxley Act and is not intended to be used for any other purposes.

Date: April 30, 2019

/s/ Steven H. Temares
Steven H. Temares
Chief Executive Officer

/s/ Robyn M. D'Elia
Robyn M. D'Elia
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

EXHIBIT D

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): May 29, 2019

BED BATH & BEYOND INC.
(Exact name of registrant as specified in its charter)

New York	0-20214	11-2250488
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

650 Liberty Avenue, Union, New Jersey 07083
(Address of principal executive offices) (Zip Code)

(908) 688-0888
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, $.01 par value	**BBBY**	**The Nasdaq Stock Market LLC (Nasdaq Global Select Market)**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01 Other Events

Bed Bath & Beyond Inc. (the "Company") issued a press release on May 29, 2019 regarding the matters addressed therein, including the appointment of new directors and cooperation and support arrangements entered into among the Company, Legion Partners Holdings, LLC and certain of its affiliates set forth therein, Macellum Advisors GP, LLC and certain of its affiliates set forth therein and Ancora Advisors, LLC and certain of its affiliates set forth therein. A copy of this press release is included as Exhibit 99.1 to this Form 8-K.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits:

Exhibit No.	Description
99.1	Press Release issued by Bed Bath & Beyond Inc. on May 29, 2019.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BED BATH & BEYOND INC.
(Registrant)

Date: May 29, 2019

By: /s/ Robyn M. D'Elia
Robyn M. D'Elia
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 99.1

Bed Bath & Beyond Inc. Continues Transformation and Announces Appointment of Four New Directors to the Board

In Cooperation with Investor Group Consisting of Legion Partners, Macellum Advisors and Ancora Advisors, Enhances Board to Position the Company for Success

New Directors Bring Additional Retail, E-Commerce and Financial Expertise and Passion for Change to the Board to Support Business Transformation Underway

UNION, N.J., May 29, 2019 /PRNewswire/ — Bed Bath & Beyond Inc. (Nasdaq: BBBY) today announced that four new independent directors have been appointed to the Company's Board of Directors as part of the Board's continued transformation. With these appointments, the Board will comprise 13 directors, 12 of whom have joined the Board within the past two years, 12 of whom are independent and seven of whom are women. All members of the Board have been selected for their complementary skill sets and shared commitment to improve the Company's performance and drive value for all Bed Bath & Beyond stakeholders as the business continues to evolve.

With the addition of these four new independent directors – John E. Fleming, Sue E. Gove, Jeffrey A. Kirwan and Joshua E. Schechter – the Bed Bath & Beyond Board will consist of:

- Patrick Gaston, Independent Chairman of the Board, President and Chief Executive Officer of PG Consulting, former President, Western Union Foundation and Verizon Foundation and former Senior Advisor to the Clinton Bush Haiti Fund.
- Mary Winston, Interim Chief Executive Officer, President and Founder, WinsCo Enterprises Consulting Services and former Executive Vice President and Chief Financial Officer at Family Dollar Stores Inc.
- Stephanie Bell-Rose, Senior Managing Director, TIAA and Head of the TIAA Institute and former managing director of The Goldman Sachs Group, Inc. and President of the Goldman Sachs Foundation.
- Harriet Edelman, current Vice Chairman, Emigrant Bank and former Senior Vice President and Chief Information Officer, Business Transformation, and Senior Vice President, Global Supply Chain of Avon Products Inc.
- John E. Fleming, former Global eCommerce Chief Executive Officer of Uniqlo Co. Ltd. and Chief Merchandising Officer and Chief Marketing Officer of Walmart, Inc.
- Sue E. Gove, President of Excelsior Advisors, LLC, a retail consulting and advisory firm, a Senior Advisor to Alvarez & Marsal, former President and Chief Executive Officer of Golfsmith International Holdings, Inc and Chief Operating Officer of Zale Corporation.
- Jeffrey A. Kirwan, former Global President and Chief Executive Officer of the Gap division of The Gap, Inc.
- Johnathan B. (JB) Osborne, Chief Executive Officer and Co-Founder of Red Antler.
- Harsha Ramalingam, senior advisor at Boston Consulting Group, President and Owner, Ramalingam Consulting and former Global Vice President, e-commerce Platform at Amazon.com, Inc., where he was also responsible for the Chief Information Officer and Chief Information Security Officer functions.
- Virginia Ruesterholz, former Executive Vice President, Strategic Initiatives, Verizon Communications, Inc. and former President, Verizon Services Operations.
- Joshua E. Schechter, private investor and public company director, former Chairman of several public boards and former co-President of Steel Partners Japan Asset Management.
- Andrea Weiss, current Founding Partner, The O Alliance Consulting Services and Chief Executive Officer and Founder of Retail Consulting Inc., and former senior executive at dELiA*s, Inc., The Limited Inc., GUESS, Inc., Ann Taylor Stores, Inc. and The Walt Disney Company.
- Ann Yerger, Corporate Governance Specialist for Spencer Stuart's North American Board Practice and former Executive Director of the Council of Institutional Investors.

These appointments follow transformational changes made by the Bed Bath & Beyond Board of Directors. The Board's recent changes and ongoing actions include:

- Appointing nine new independent directors to the Board with relevant skill sets for accelerating the business transformation underway and promoting robust Board oversight. In addition, the Company's longest-tenured directors have stepped down from the Board;
- Appointing Patrick Gaston, transformational leader and seasoned executive, as Independent Chair of the Board;
- Appointing Mary Winston, a seasoned public company executive who recently joined the Bed Bath & Beyond Board, as Interim CEO;
- Actively searching for a permanent CEO who will bring transformation and innovation experience in the retail sector to the Company. The search process is being led by a dedicated CEO Search Committee (which will include two of the directors who joined the Board in connection with today's announcement), chaired by independent director Virginia Ruesterholz, the recently appointed chair of the Nominating and Governance Committee, and is supported by a leading executive search firm; and
- Creating a Business Transformation and Strategy Review Committee (which will include two of the directors who joined the Board in connection with today's announcement), chaired by Andrea Weiss, a long-time retail executive and innovator.

Patrick Gaston, Independent Chairman of the Bed Bath & Beyond Board, said, "We have significantly transformed the Bed Bath & Beyond Board with the appointment of nine new independent directors over the last month. I am pleased to welcome John, Sue, Jeffrey and Joshua as new independent directors who bring additional financial, retail, e-commerce and leadership experience to complement our Board's strong qualifications, skills and expertise. We appreciate the work undertaken by the Investor Group and their contributions and are excited to work collaboratively with all of our Board members and our shareholders to embrace opportunities to create lasting value for the Company and all its stakeholders. The newly transformed Board brings rich diversity of perspectives, backgrounds, ages, gender, race and ethnicity and reflects the diversity of the Company's loyal customers and dedicated associates. We believe that our refreshed Board is well-equipped to oversee and drive the business transformation underway, and we look forward to working tirelessly on behalf of all shareholders to create significant value."

Mary Winston, Interim Chief Executive Officer of Bed Bath & Beyond, said, "Bed Bath & Beyond is an iconic retailer with great brands, strong customer affinity and hardworking associates. We are at an important inflection point in the Company's history, and with the benefit of a newly transformed Board, the Company is committed to taking the right actions to further enhance our competitive and financial position, transform Bed Bath & Beyond faster to win in the omnichannel marketplace and execute on our priorities."

The Investor Group stated, "We are pleased to have reached this resolution with Bed Bath & Beyond, which is the result of collaborative dialogue and intensive engagement with the Company. Together with the existing Board members, these four new independent directors will help the Company navigate the current omnichannel retail environment and pursue our shared goal of enhancing shareholder value. We are optimistic about the Company's efforts to find a best-in-class CEO to drive shareholder value and applaud the Board's commitment to building an even stronger future for shareholders, customers, associates and other stakeholders."

In connection with the appointments of the four new independent directors, Bed Bath & Beyond has entered into a cooperation and support agreement with the Investor Group, which together owns approximately 5.23% of the Company's outstanding common stock. Under the terms of the agreement, the Investor Group has agreed to withdraw its slate of ten nominees and support and vote in favor of all of the Bed Bath & Beyond-recommended director nominees at the 2019 and 2020 Annual Meetings of

Shareholders, which will include the four new independent directors appointed today. The Investor Group also has agreed to abide by certain customary standstill provisions until 30 days prior to the close of the nomination window for the Company's 2021 Annual Meeting of Shareholders. The litigation filed by a member of the Investor Group is also being withdrawn and dismissed. The complete agreement will be filed on a Form 8-K with the U.S. Securities and Exchange Commission.

About the New Directors

John E. Fleming, age 60, has served as a member of the Advisory Board of UNTUCKit LLC, a casual men's apparel company, since December 2017, as a member of the Board of Directors of r21Holdings, Inc., a specialty retailer of young men and women's casual apparel and accessories, since August 2017, and as a member of the Board of Directors of The Visual Comfort Group, a lighting company that serves both wholesale and direct to consumer channels, since May 2017. Additionally, Mr. Fleming has served as an independent director and advisor since August 2016. Previously, Mr. Fleming was most recently the Chief Executive Officer of Global eCommerce of Uniqlo Co. Ltd., a Japanese casual wear designer, manufacturer and retailer, from October 2013 to August 2016. Prior to that, he was at Walmart, Inc. ("Walmart"), a multinational retail corporation, from 2000 to 2010, where he held a number of executive positions, including Executive Vice President, Chief Marketing Officer (2005 to 2006) and Executive Vice President, Chief Merchandising Officer (2007 to 2010). From 2001 to 2005, Mr. Fleming was the Chief Executive Officer of Walmart.com, Walmart's e-commerce platform, and was the Chief Merchandising Officer in 2000. He began his career at Dayton Hudson, previously a department store chain, and rose through the ranks to become the Senior Vice President of Merchandising. He was at Dayton Hudson from 1981 to 2000. Since April 2005, Mr. Fleming has served on the Board of Directors of USA Hockey Foundation, the philanthropic arm of USA Hockey. He previously served on the Board of Directors of each of Stitch Fix, an online subscription and personal styling service, from 2012 to 2014, Bi-Lo Holdings, LLC, a subsidiary of Southeastern Grocers, a supermarket portfolio, from 2012 to 2014 and Walmart de México y Centroamérica, the Mexican and Central American Walmart division, from 2006 to 2009. Mr. Fleming received his B.A. from Colorado College.

Sue E. Gove, age 60, is President of Excelsior Advisors, LLC, a retail consulting and advisory firm, and serves as a Senior Advisor to Alvarez & Marsal, a corporate consulting firm. Prior to founding Excelsior Advisors in August 2014, she was the President and Chief Executive Officer of Golfsmith International Holdings, Inc., an American golf specialty retailer, from October 2012 to April 2014 and President, from February 2012 to April 2014. Ms. Gove also served Golfsmith as Chief Operating Officer from September 2008 to October 2012, as Chief Financial Officer from March 2009 to July 2012 and as Executive Vice President from September 2008 to February 2012. In addition, Ms. Gove spent 25 years at Zale Corporation, a jewelry retailer, where she served in senior financial, operating and strategic roles, culminating in the EVP and Chief Operating Officer role. Ms. Gove currently serves on the boards of Tailored Brands, Inc., a retail holding company for various men's apparel stores since August 2017 and Iconix Brand Group, Inc., a brand management company. Previously, she was a director of each of Logitech International SA, a provider of personal computer and mobile peripherals, from September 2015 until September 2018 and AutoZone Inc., a retailer of aftermarket automotive parts and accessories, from July 2005 until December 2017. Ms. Gove received her BBA from the University of Texas at Austin.

Jeffrey A. Kirwan, age 52, will be appointed Executive Chairman of Maurices Incorporated ("maurices"), a specialty retailer focused on women's value apparel, upon the closing of the acquisition of a majority equity stake in maurices by OpCapita Consumer Opportunities Fund II LP, which is expected to close by early summer 2019. Previously, Mr. Kirwan served as the Global President and Chief Executive Officer, Gap ("Gap"), a division of The Gap, Inc., a worldwide clothing and accessories retailer, from December 2014 until March 2018. Prior to that, he worked at Gap China as Executive Vice President and President, from February 2013 to December 2014, and as Senior Vice President, Managing Director and Chief Operating Officer from May 2011 to February 2013. Previously, he worked as Senior Vice President, Stores and Operations, Old Navy, a division of The Gap, Inc., from August 2008 to May 2011, and at Old Navy Canada as Senior Vice President and General Manager, from March 2008 to August 2008, and as Vice President and General Manager, from April 2007 to March 2008. Mr. Kirwan received his B.S. from Rhode Island College and an M.B.A. from the University of Maryland University College.

Joshua E. Schechter, 45, is a private investor. Mr. Schechter has also served as Chairman of the Board of Directors of SunWorks, Inc., a premier provider of high-performance solar power solutions, since May 2018 and as a director since April 2018, as a director of Genesco Inc., a specialty retailer of footwear and accessories, since April 2018 through Genesco's 2019 annual meeting, Viad Corp, an S&P SmallCap 600 international experiential services company, since April 2015, and a director of Support.com, Inc., a leading provider of cloud-based software and services, since June 2016. He previously served as a director of Aderans Co., Ltd. ("Aderans"), a multi-national company engaged in hair-related business, and as the Executive Chairman of Aderans America Holdings, Inc., Aderans' holding company in the United States, from August 2008 to May 2015. From 2001 to June 2013, Mr. Schechter served as Managing Director of Steel Partners Ltd., a privately owned hedge fund sponsor, and from 2008 to June 2013, Mr. Schechter served as co-President of Steel Partners Japan Asset Management, LP, a private company offering investment services. Mr. Schechter previously served on the board of directors of The Pantry, Inc., a leading independently operated convenience store chain in the southeastern United States and one of the largest independently operated convenience store chains in the country, from March 2014 until the completion of its sale in March 2015, WHX Corporation (n/k/a Handy & Harman Ltd.), a diversified manufacturer of engineered niche industrial products with leading market positions in many of the markets it serves, from 2005 until 2008; and Puroflow, Inc. (n/k/a Argan, Inc.), a provider of a full range of power industry and telecommunications infrastructure services, from 2001 until 2003. Mr. Schechter earned an MPA in Professional Accounting and a BBA from The University of Texas at Austin.

About the Company

Bed Bath & Beyond Inc. and subsidiaries (the "Company") is an omnichannel retailer that is the trusted expert for the home and heartfelt life events. The Company sells a wide assortment of domestics merchandise and home furnishings. The Company also provides a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, healthcare and other industries. Additionally, the Company is a partner in a joint venture which operates retail stores in Mexico under the name Bed Bath & Beyond.

Forward-Looking Statements

This press release may contain forward-looking statements. Many of these forward-looking statements can be identified by use of words such as may, will, expect, anticipate, approximate, estimate, assume, continue, model, project, plan, goal, and similar words and phrases. The Company's actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include, without limitation: general economic conditions including the housing market, a challenging overall macroeconomic environment and related changes in the retailing environment; consumer preferences, spending habits and adoption of new technologies; demographics and other macroeconomic factors that may impact the level of spending for the types of merchandise sold by the Company; civil disturbances and terrorist acts; unusual weather patterns and natural disasters; competition from existing and potential competitors across all channels; pricing pressures; liquidity; the ability to achieve anticipated cost savings, and to not exceed anticipated costs, associated with organizational changes and investments; the ability to attract and retain qualified employees in all areas of the organization; the cost of labor, merchandise and other costs and expenses; potential supply chain disruption due to trade restrictions, political instability, labor disturbances, product recalls, financial or operational instability of suppliers or carriers, and other items; the ability to find suitable locations at acceptable occupancy costs and other terms to support the Company's plans for new stores; the ability to establish and profitably maintain the appropriate mix of digital and physical presence in the markets it serves; the ability to assess and implement technologies in support of the Company's development of its omnichannel capabilities; uncertainty in financial markets; volatility in the price of the Company's common stock and its effect, and the effect of other factors, on the Company's capital

allocation strategy; the impact of goodwill and intangible asset impairments; disruptions to the Company's information technology systems including but not limited to security breaches of systems protecting consumer and employee information or other types of cybercrimes or cybersecurity attacks; reputational risk arising from challenges to the Company's or a third party product or service supplier's compliance with various laws, regulations or standards, including those related to labor, health, safety, privacy or the environment; reputational risk arising from third-party merchandise or service vendor performance in direct home delivery or assembly of product for customers; changes to statutory, regulatory and legal requirements, including without limitation proposed changes affecting international trade; changes to, or new, tax laws or interpretation of existing tax laws; new, or developments in existing, litigation, claims or assessments; changes to, or new, accounting standards; foreign currency exchange rate fluctuations; and the integration of acquired businesses. The Company does not undertake any obligation to update its forward-looking statements.

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EXHIBIT E

S&P Global
Market Intelligence

Bed Bath & Beyond Inc. NasdaqGS:BBBY
FQ1 2020 Earnings Call Transcripts
Wednesday, July 10, 2019 9:00 PM GMT
S&P Global Market Intelligence Estimates

	-FQ1 2020-			-FQ2 2020-	-FY 2020-		-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	GUIDANCE	CONSENSUS
EPS Normalized	0.07	0.12	▲80.00	0.59	1.97	2.11	2.19
Revenue (mm)	2870.81	2862.99	▼30.29 4 (	270%87	11801.2%	11) 00.00	1129) .08

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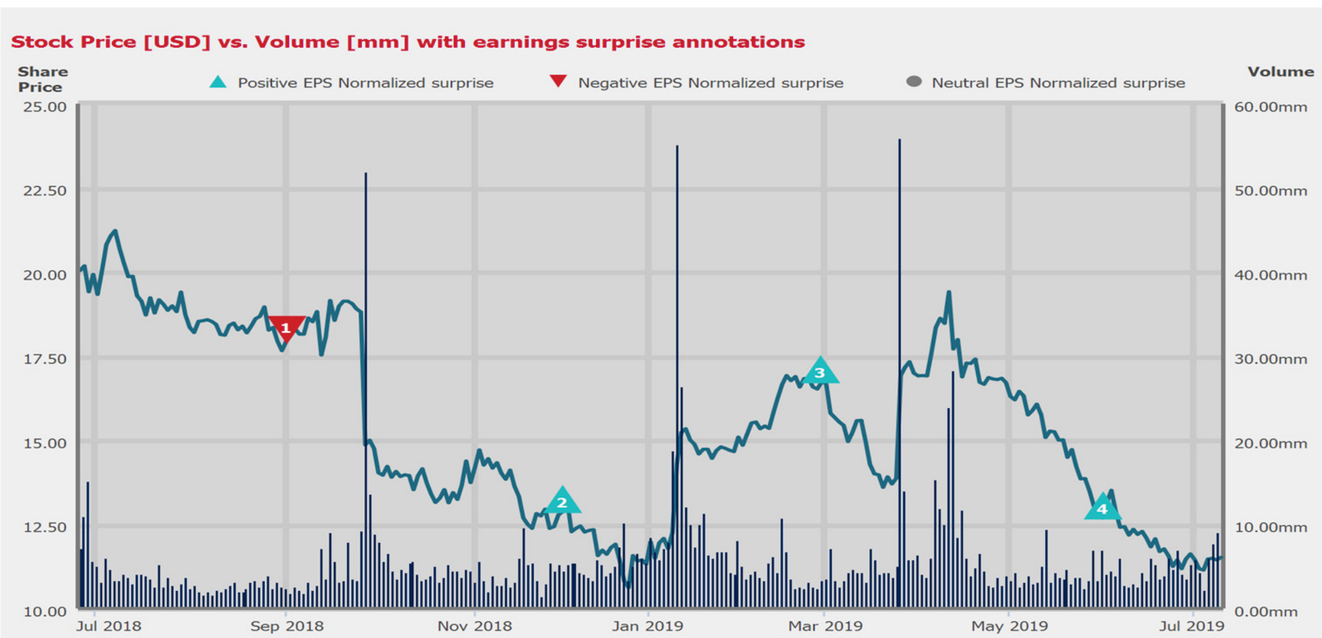

- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2019	0.80	0.5%	▼1 327.00 4 (
FQ3 2019	0.16	0.17	▲2 8.77 4
FQ4 2019	1.10	1.20	▲3 9.09 4
FQ1 2020	0.07	0.12	▲4 80.00 4

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Call Participants

EXECUTIVES

Janet M. Barth
Vice President of Investor Relations

Mary A. Winston
Interim CEO & Director

Robyn M. D'Elia
CFO & Treasurer

ANALYSTS

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Loop Capital Markets LLC, Research Division

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Guggenheim Securities, LLC, Research Division

Presentation

Operator

Welcome to Bed Bath & Beyond's First Quarter Fiscal 2019 Earnings Call. [Operator Instructions] Today's conference call is being recorded. A rebroadcast of the conference call will be available beginning on Wednesday, July 10, 2019, at 8:00 p.m. Eastern time through 8:00 p.m. Eastern time on Friday, July 12, 2019. To access the rebroadcast, you may dial (888) 843-7419 with a passcode ID of 48713230.

At this time, I would like to turn the conference call over to Janet Barth, Vice President, Investor Relations. Please go ahead.

Janet M. Barth
Vice President of Investor Relations

Thank you, Carol, and good afternoon, everyone. Before we begin, I want to remind you that our fiscal 2019 first quarter earnings release and slide presentation can be found in the Investor Relations section of our website at www.bedbathandbeyond.com and as exhibit to the Form 8-K we filed just ahead of this call.

Joining me on our call today are Mary Winston, Bed Bath & Beyond's Interim Chief Executive Officer and member of the Board of Directors; and Robyn D’Elia, our Chief Financial Officer and Treasurer.

Let me remind you that this conference call and the slides we'll refer to may contain forward-looking statements, including statements about or references to our internal models and our long-term objectives. All such statements are subject to risks and uncertainties that could cause actual results to differ materially from what we say during the call today. Please refer to our most recent periodic SEC filings for more detail on these risks and uncertainties, including the Risk Factors section in our annual report on Form 10-K. The company undertakes no obligation to update or revise any forward-looking statements.

Additionally, the information we will discuss today contains certain financial measures that exclude amounts or are subject to adjustments that have the effect of excluding amounts that are included in the most directly comparable measure prepared in accordance with generally accepted financial measures. A reconciliation to the most comparable measure is presented in accordance with GAAP. Please refer to the tables at the end of our earnings release available in our website and included as an exhibit to our Form 8-K filed today.

Some highlights from the first quarter include: adjusted net earnings per diluted share were $0.12, at the high end of our guidance range of between approximately $0.07 and $0.12 and excluded $3.03 related to a noncash impairment of goodwill and other intangible assets as well as severance and shareholder activity cost.

Net sales declined approximately 6.6%, slightly below our guidance of approximately $2.6 billion.

Retail inventories were reduced by approximately $124 million at cost or approximately 5% compared to the end of the prior year first quarter.

We ended the first quarter with approximately $923 million of cash and investments, which is approximately 9% more than the amount we had at the end of the prior year period.

In addition, on July 8, our Board of Directors declared a quarterly dividend of $0.17 per share payable on October 15, 2019, to shareholders of record at the close of business on September 13, 2019.

I will now turn the call over to Mary.

Mary A. Winston
Interim CEO & Director

Thank you, Janet. And thanks, all of you, for joining us this afternoon. On today's call, I'd like to share my initial thoughts and observations about the business and speak to our 4 near-term priorities and

areas of focus. Following my comments, I will turn the call over to Robyn for a review of the financial and operational highlights for the quarter as well as our outlook for the full year, and then we'll take your questions.

As you may know, I joined the Bed Bath & Beyond Board of Directors in early May in connection with the company's transformation and refreshment of the Board's composition and governance structure.

As a long-time customer, I believe Bed Bath & Beyond is a great brand with a strong customer affinity, and I was eager to join the Board and contribute to stabilizing and repositioning the business for future growth as a successful omnichannel retailer.

When the Board then determined it was the right time to identify the company's next generation of leadership, I was honored to step in as Interim CEO. I am working closely with the Board and management leveraging my retail industry experience as well as my background in finance and corporate strategy during this transition period. I view my role as one where I can provide strategic leadership and help prioritize and drive forward the most meaningful initiatives to advance the work underway to improve our financial performance, enhance our competitive position and drive shareholder value.

I'll start today with my initial observations of the company. I've made a concerted effort over the past several weeks to meet with many associates across the organization, gaining an understanding of the company's history, culture and the way we operate. I have visited many of our stores across multiple banners as well as one of our distribution facilities to ensure I saw firsthand the operations of our business. During these visits, I witnessed our associates' passion for customer service, and the deep connection we have with our customers was obvious.

It is also compelling to see our customers' enthusiasm and commitment to our brand. That said, it is also clear that the company has not kept pace with how the customer has evolved and how consumers shop today. We need to give our customers a reason to keep shopping in our brick-and-mortar stores, and in order to do that, we must update and enhance store experience. This will continue to be a priority for us.

Beyond enhancing our store experience, we must also transform the online shopping experience to engage our customers digitally. Both our store and digital experiences will continue to be areas of focus for us.

It's still early and there is much work to do to fully assess the business. Importantly, what I have seen and heard up to this point has validated my confidence that Bed Bath & Beyond is an iconic brand with a tremendous opportunity. The company has a strong geographic footprint as well as attractive and growing product categories. We also have a resilient team that is operating with a sense of urgency to improve the company's competitive position.

As we look ahead, the Board and the management team are in full agreement that there needs to be a fundamental change in our approach to executing the company's business transformation. A key challenge for the business in the past has been that there have been too many initiatives underway, which has resulted in a lack of strategic focus and less meaningful results. We are committed to completing a deep review of the business to prioritize and drive forward the most meaningful initiatives to improve performance.

This was part of the critical work underway at the Board level. Under the leadership of independent Chairman, Patrick Gaston, the new Board consisting of a highly diverse set of leaders with a wide range of fresh perspectives and background is well equipped to oversee and partner with management to drive the intensive business transformation that is needed. Importantly, all of our directors are highly engaged and are moving quickly to continue to enhance our governance structure, transform our compensation program, evaluate our capital allocation priorities and assess and shape a new strategic direction for our company.

To that end, the recently formed business transformation and strategy committee is set to review and evaluate the ongoing business transformation and will make recommendations on how the company can best capitalize on and navigate the evolving retail environment to accelerate the company's evolution.

Together, the Board and management team are challenging our current value proposition and operating model to take on a more holistic approach to the transformation while also maintaining a focus on delighting our customers and delivering long-term value to shareholders.

We are in full agreement on our 4 key near-term priorities: first, stabilizing sales and driving top line growth; secondly, resetting the cost structure; third, reviewing and optimizing the company's asset base, including our portfolio of retail banners; and finally, defining our organization's structure.

As I evaluate and assess the work underway, my early observations reveal that our #1 priority must be a focus on stabilizing our top line and optimizing our sales opportunities. This will require collaboration and refinement of initiatives across multiple areas of the business, including merchandising, marketing, branding, pricing and supply chain. And as I mentioned, we will also be sharpening our focus on delivering a seamless omnichannel experience, including our current in-store and digital experiences. To be clear, our efforts will be focused on opportunities to drive profitable sales growth.

Our second priority is to reset our cost structure to better align with the current state of the business. This will include reductions in cost of goods and SG&A. While the company has previously initiated some actions and made progress on this front, we need to dig deeper and to cast a wider net. Focus on our cost of goods and gross margin will entail an assessment of opportunities within our proprietary and private label brands as well as our supply chain and global sourcing capabilities.

Prior actions underway relating to pricing strategies, coupon expense and outbound shipping expense are showing early positive results. Our initial focus on SG&A has resulted in further reduction in store payroll primarily through better alignment of store hours with foot traffic, a streamlining of our field support structure and a reduction in tasks performed at the store level.

In advertising, we have been improving the efficiency of our direct mail events and digital marketing. As we continue our focus on our cost structure, we will take a fresh look at our corporate overhead, ensuring we have the right structure and resources for the business we're managing today.

Finally, the company commenced a comprehensive real estate optimization effort 6 months ago with the assistance of a specialized real estate consultant who is leading the renegotiations of the company's leases. Occupancy savings from this effort will benefit fiscal 2019 and far beyond.

Our third near-term priority is to review the company's asset base. This encompasses a fleet optimization project for all Bed Bath & Beyond stores to understand how best to position our store locations in various markets across the country and Canada.

In addition to the real estate optimization effort I just mentioned, we anticipate leveraging the findings of this fleet optimization project to evaluate potential store closures and/or relocations. These decisions will be based on a combination of each stores' performance, profitability, its geographic location and the customer demographics. Our ultimate objective is to find the right balance between our physical and digital presence within the markets we serve and to deliver the shopping experience our customers want.

The Board and I are also in the process of evaluating the various retail banners we operate to better understand their strategic and financial contributions to the portfolio. Following this review, we will determine the appropriate next steps.

Our fourth near-term priority is to take a fresh look at our organization structure. We have a seasoned management team that understands the business and culture well. And as I mentioned earlier, I've seen our teams operating with urgency, and I'm grateful for their hard work and commitment. It is critically important that as we transform Bed Bath & Beyond, we ensure we have not only the right talent and expertise but also the right team structures in place to facilitate a connected and efficient organization.

To build the future of this business, leaders will operate with clarity and focus and being empowered to make decisions for which there will be accountability. By focusing on our 4 near-term priorities, we will reset our approach to the company's business transformation, prioritizing the things that we believe are going to deliver the greatest value to our customers and our shareholders.

Before I turn the call over to Robyn, I'd like to provide a brief update of the Board's CEO search. With the support of a leading executive search firm, the CEO search committee has undertaken a robust process to recruit a permanent CEO, working to identify a leader who has a multifaceted skill set, including transformation and innovation experience in the retail sector as well as e-commerce and marketing experience. We have generated significant interest, and while urgent, we will take the time we need to select the right leader for the future of Bed Bath & Beyond. We will update you further once we have something to share.

Finally, I'd like to comment briefly on our first quarter results and our outlook for the full year. As you saw in our news release, first quarter sales were slightly below the range the company had provided while EPS on an adjusted basis is at the high end of the company's previously provided range.

As we look forward taking into consideration both the work to be done in our transformation as well as continuing challenges and the broader retail environment, we are taking a more conservative approach to our outlook for the remainder of fiscal 2019. As Robyn will discuss in a moment, we have maintained our sales and earnings expectations for the year, albeit at the lower end of the previously stated guidance ranges.

In summary, there is critical work to do and there are challenges we are working to address. We remain confident in the underlying business and our ability to leverage the strength of the Bed Bath & Beyond brand and our lasting connection with customers to deliver on our near-term priority and transform the company.

With a renewed focus on our customer and a winning customer value proposition, we believe we can capture opportunities in the market and create sustainable value for our shareholders.

As we move forward, we will share our progress about how we are executing against our near-term priorities and our plans to deliver improved results.

And now I'll turn the call over to Robyn to review our financials and our outlook.

Robyn M. D’Elia
CFO & Treasurer

Thank you, Mary. Starting with our bottom line. For the first quarter of fiscal 2019, our reported net loss per diluted share was $2.91. This loss included pretax charges related to noncash goodwill and other impairments of approximately $401 million; severance, including the departures of key senior executives, of approximately $38 million; and shareholder activity cost of approximately $8 million. Excluding these items, our net earnings per diluted share was $0.12 at the high end of our guidance range.

To provide more meaningful insights about the operational performance of our business during the first quarter, my comments about the quarterly results exclude the impact of these items in 2019 as well as the impact of severance incurred in last year's fiscal first quarter.

Turning now to a review of our sales results. Our net sales in the quarter were approximately $2.6 billion, a decrease of approximately 6.6% from the first quarter of last year.

Comp sales for the quarter also decreased approximately 6.6% and reflected a decrease in the number of transactions in stores partially offset by an increase in the average transaction amount.

On a directional basis, comp sales from our stores declined in the high single-digit percentage range partially offset by slight growth in comp sales from our customer-facing digital channels.

As we discussed during our earnings call in April, our first quarter modeling assumptions included a decline in comp sales due to: one, a shift in the Easter holiday to later in the quarter this year compared to last year, which for us would reduce the tailwind effect we typically get from consumers looking to refresh their homes for spring; two, a lower advertising spend this quarter versus the prior year period with plans to shift that spend to the fourth quarter; and three, an acceleration of our bias towards prioritizing profitability over near-term sales growth, which includes actions such as eliminating less profitable SKUs from the assortment, adding minimum quantity requirements and excluding coupons for select SKUs.

Gross margin for the quarter was approximately 34.5% of net sales as compared to approximately 35% in the first quarter of last year. In order of magnitude, this decrease as a percentage of net sales was primarily due to a decrease in merchandise margin partially offset by decreases in coupon expense and net direct-to-customer shipping expense.

The decrease in coupon expense was the result of a decrease in the number of redemptions with fewer pieces distributed partially offset by an increase in the average coupon amount.

In addition, as we have previously described, our BEYOND+ membership program has impacted and will continue to unfavorably impact our gross margin as the rate of member enrollment increases. As a reminder, the consumer-focused benefits of this program, including 20% of entire purchase and free shipping, are realized immediately upon sale while the membership fee is currently amortized over the 1-year membership period.

As of the end of the first quarter, we have approximately 1.2 million BEYOND+ members. We estimate the impact from BEYOND+ on our gross margin was approximately 60 basis points for the first quarter this year and 40 basis points for the first quarter last year.

Notwithstanding the short-term margin impact during this period of increasing member enrollment, we continue to evaluate the learnings and we remain very encouraged by the incremental benefits we are seeing as well as the long-term potential of BEYOND+.

In addition, this program is another means to gain customer insights that over time will help us to direct specific product offers and content to these loyal customers through marketing personalization to drive incremental sales and margin enhancements.

SG&A for the quarter was approximately 32.9% of net sales as compared to approximately 31.7% in the prior year period. In order of magnitude, this increase in SG&A as a percentage of net sales was primarily due to increases in technology-related expenses, including depreciation and occupancy expenses. Heading into the quarter, we expect to deleverage from these fixed costs due to our planned decline in comp sales.

Our effective tax rate in the first quarter was approximately 38.6% and includes approximately $2.9 million of net after-tax costs due to distinct events occurring in the quarter. In the prior year period, our effective tax rate was approximately 30.5% and included net after-tax costs of approximately $2.6 million due to distinct events occurring in that quarter. Our first quarter guidance planned for a higher tax rate. However, we had more favorable discrete items than were included in our model representing about $0.02 per share.

Now looking to our balance sheet. We ended the quarter with approximately $923 million in cash and investments, an increase of approximately $76 million or approximately 9% over the end of the prior year first quarter.

Retail inventories at the end of the quarter were approximately $2.5 billion at cost, which represents a reduction of nearly 5% or approximately $124 million compared to the end of the first quarter last year.

During the fiscal first quarter, we further adjusted the carrying value of our goodwill and other intangible assets as required by the accounting rules by taking an impairment charge of approximately $401 million. This noncash pretax charge was primarily the result of a sustained decline in the company's market capitalization and does not impact our ongoing day-to-day operations.

Capital expenditures for the quarter were approximately $68 million with about 50% related to technology projects primarily including investments in our digital capabilities, analytics and logistics. The remaining CapEx spend was primarily for the opening of 3 new stores and the remodeling of over 40 existing stores, the both of which were next-generation lab stores.

Share repurchases during the quarter were approximately $81 million, representing about 5.3 million shares. In addition, on July 8, our Board of Directors declared a quarterly dividend of $0.17 per share to be paid on October 15, 2019, to shareholders of record as of September 13, 2019.

Lastly, regarding our balance sheet. It now reflects operating lease assets of $2 billion and operating lease liabilities of $2.2 billion due to the adoption of the new lease accounting standard, which for us requires all leases with terms greater than 12 months to be capitalized on the balance sheet. As we noted in the press release, the adoption of this standard will not result in significant changes to our statements of operations or cash flows. In addition, there is no impact to any of our debt covenants related to our indenture or revolving credit agreement. Additional disclosure is included in our 10-Q filed with the SEC today.

Now turning to our financial guidance for fiscal 2019. As we evolve our plans around the 4 key near-term priorities just described, we will continue to evaluate the components of our financial model for the year. As Mary mentioned, taking into consideration both the work to be done in our transformation as well as the continuing challenges in the broader retail environment, we are taking a more conservative approach to our outlook for the remainder of the year.

On our last call, we modeled net sales to be between $11.4 billion and $11.7 billion. Considering what we know about the second quarter to date and our outlook for the back half of the fiscal year, we expect our consolidated net sales to continue to be within this range, but at the lower end driven by the declines in store comps that we have been experiencing.

Net earnings per diluted share are estimated to fall toward the lower end of the previously provided range of approximately $2.11 to $2.20, excluding the goodwill and other impairments, severance expenses and shareholder activity costs.

On a quarterly basis, we expect to see improvement in our financial performance as the year progresses. Our model to achieve consolidated net sales at the low end of our previously guided range anticipates a gradual sequential improvement in comp sales from stores as we progress through the year, benefiting from our efforts to stabilize sales, including changes to our marketing program coupled with other sales initiatives underway. Considering this, plus the timing of our transformational initiatives as well as the usual seasonality of our business, we believe our net earnings per diluted share will be stronger in the back half of fiscal 2019.

Finally, capital expenditures for fiscal 2019 are planned to be approximately $350 million to $375 million. This year's spend includes about $50 million associated with investments in warehouses for e-commerce distribution through personalized product, although we are continuing to evaluate our capital projects for the year.

I will now turn the call back over to Mary.

Mary A. Winston
Interim CEO & Director

Thank you, Robyn. In closing, I want to reiterate my confidence in our associates' ability to connect with and serve our customers. Without question, our associates are our greatest asset, but we need to ensure they have the right tools to effectively and successfully compete in today's retail environment. As we move ahead to execute against the near-term priorities that I laid out, our focus will remain on delighting our customers and delivering long-term value for our shareholders.
And with that, we can now open the call for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Bobby Griffin from Raymond James.

Beryl Bugatch
Raymond James & Associates, Inc., Research Division

It's actually Budd Bugatch for Bobby. He's traveling today so something for him. Congratulations, Mary. Good luck to you on the -- on your interim role, and we wish you the best on that. I have a few questions, if I could. The first question is can you talk a little bit about the NGS stores? There are now how many of them? And what is the performance of those? And is the plan still to roll those out?

Mary A. Winston
Interim CEO & Director

Thank you for the kind comments. So in terms of the NGS stores, yes, that is still a priority. We have 34 stores right now. We're still seeing good results. We are refining what we see in the stores and continuing to update and continuing to roll that out so that program is continuing to be one of our top priorities.

And again, as I said in my prepared remarks, we are taking a look though at all of the initiatives. We'll be looking at that one as well. And again, as you know, it's still early days, but the performance on that looks good and we're getting good information that we can help -- that will help us transform our store experience.

Beryl Bugatch
Raymond James & Associates, Inc., Research Division

Okay. And Robyn, on the charge of the goodwill and the other intangibles, is that just related to the market cap fall or is it attached to any of the particular items or items of goodwill in the -- on the balance sheet?

Robyn M. D’Elia
CFO & Treasurer

The most significant component of the charge is related to goodwill. And just as a point of reference, goodwill is now down to 0 on the balance sheet. But there was some residual impact related to the trade names for some of the acquisitions that we've had throughout the years.

Beryl Bugatch
Raymond James & Associates, Inc., Research Division

Okay. And when you look at the cash flow for the -- cash flow from operations or free cash, that was significantly below last year. I suspect that includes some of the unusual items, you got the severance and the shareholder activity cost. What was the net impact of those unusual items on cash in the quarter?

Robyn M. D’Elia
CFO & Treasurer

I don't have that component piece broken out right in front of me, but we can certainly give you a call with that information.

Beryl Bugatch
Raymond James & Associates, Inc., Research Division

Okay. And the guidance, forward guidance, does that include any more onetime charges or called-out items? Or are you unable to predict those at this point in time?

Robyn M. D’Elia

CFO & Treasurer

No, the guidance that we're providing would be excluding what happens to date and any other onetime items. It's really guidance from an operational perspective.

Beryl Bugatch
Raymond James & Associates, Inc., Research Division

Right. And are there any other onetime items that you can see at this point in time?

Robyn M. D'Elia
CFO & Treasurer

Nothing built into the plan.

Operator

Our next question comes from Jaime Katz from Morningstar.

Jaime M. Katz
Morningstar Inc., Research Division

I'm curious, I think last quarter, it was commented that comps were expected to be in the low single-digit to mid-single-digit range. And I'm assuming that, that low single digit is off the table and we're looking more towards a mid-single-digit decline even with improving comps over the remainder of the year. Is that fair?

Mary A. Winston
Interim CEO & Director

For the full year, yes, we're still in that same low to mid-single-digit decline.

Jaime M. Katz
Morningstar Inc., Research Division

Okay. And then I know there are a lot of initiatives underway, but maybe if you can help us think about what initiatives might have been undertaken already, where we might see benefits and expenses, things like changes in the buying organization. I know that was partially siloed across brands in the past or where maybe we can see the elimination of some redundancies going forward in the near term.

Mary A. Winston
Interim CEO & Director

So I'll point -- I'll just point us back to some of the things that I said in my prepared remarks. So we have had a number of initiatives underway. The renegotiation of some of the company's leases, that's expected to benefit us this fiscal year and beyond.

We've also already seen some reductions in our store labor cost as a result of rightsizing to foot traffic and just taking a look at streamlining the field organization and eliminating task in the stores. So all of those initiatives are continuing to be ongoing, but we are seeing impact from them now and expect to later in the year.

Beyond some of those, we again are going to be looking at where we're getting the greatest impact and reprioritizing within the context of the 4 key near-term priorities. So there may be some shifts in initiatives as we go into the back half of the year, but those are some of the primary ones that we're currently seeing benefit from.

Operator

Our next question comes from Christopher Horvers from JPMorgan.

Christopher Michael Horvers
JP Morgan Chase & Co, Research Division

So I had a question about the guide. Usually, with a new CEO, and in cases like this, the guidance is often pulled. So it's interesting that you're only going to the low end despite the strategy is going to shift and it could shift further. So can you talk about the thought process around keeping the guide and only going to the lower end? And what gives you the confidence, whether it's -- you see more cost-out opportunity or you see the progression of the comp of the business, what's giving you that confidence to be even in the range at this point?

Mary A. Winston
Interim CEO & Director

Well, a big piece of it is, as you point out, many of the initiatives are already ongoing. So while I am still getting my arms around the business and assessing where those initiatives stand and what the impact of them will be, I've seen enough to know that we've got lots of activity going on and even though we may reprioritize some of it, we do expect to see some benefit from it.

You'll notice that we took out some of the details that were provided in the previous guidance because I think as we reprioritize initiatives, there may be shifts between what will impact gross margin versus SG&A and that kind of thing. But at this point, I'm confident in the top line and the bottom line although at the low end of the range. And again, our guidance is without any special items so if we make significant changes, we'll communicate those at the time.

Christopher Michael Horvers
JP Morgan Chase & Co, Research Division

That's a good segue. So as you think about the down 6.6% fixed comp, while that's disappointing and below the range and below the market at the same time the gross margin decline really improved. So I don't know if you had a chance to think about like how much of the -- was there a comp in gross margin trade-offs that was made in this quarter? And do you think -- does that part of strategy, per se, shift where maybe we get some better comps but the gross margin declines start to reaccelerate?

Robyn M. D’Elia
CFO & Treasurer

Well, as we've pointed to for the last couple of quarters, we've mentioned prioritizing profitability over sales. And certainly, some of the changes that we've made particularly impacted the customer-facing digital channel growth. But we are moving those levers or pulling those levers to drive more profitable results, so that's definitely contributing. And those things were eliminating less profitable SKUs from the assortment, adding minimum quantity requirements for certain SKUs, coupon exclusions, changing dynamic pricing algorithms. And all of those have been layering in for some consecutive quarters.

I guess in addition to that, we also had initiatives driving improvement in the merchandise margin area, some of which Mary had just recently mentioned, but I would add to that, that we've been evaluating our pricing strategies as well.

Operator

Our next question comes from Oliver Wintermantel from Evercore ISI.

Oliver Wintermantel
Evercore ISI Institutional Equities, Research Division

I just wanted to double check the guidance from last quarter in the fourth quarter that 2020 guidance, you didn't mention that. Is that still a valid guidance or did you pull that?

Robyn M. D’Elia
CFO & Treasurer

I'm sorry. In terms of our guidance, we felt comfortable confirming that our sales and EPS would be at the low end of the range previously provided. So our sales range was between $11.4 billion and $11.7 billion and our EPS range was $2.11 to $2.20.

Oliver Wintermantel
Evercore ISI Institutional Equities, Research Division

But the 2020 guidance that you gave last time and the long-term guidance?

Robyn M. D'Elia
CFO & Treasurer

I'm sorry. We do not provide any guidance beyond 2019 at this point.

Mary A. Winston
Interim CEO & Director

Yes, and I think that's related to the fact that again, I and the Board will be looking at all the initiatives. And of course, many of the initiatives that we are going to be prioritizing will have impact beyond 2019. And so once we are set on how we're going to reset the transformation and what the top initiative priorities will be, we'll be in better position to talk to 2020.

Oliver Wintermantel
Evercore ISI Institutional Equities, Research Division

Got it. Got it. And if I may, the online growth, did you comment on that in the prepared remarks? And if not, can you maybe update us what online growth was in the quarter?

Robyn M. D'Elia
CFO & Treasurer

We said the growth, we had slight growth from our customer-facing digital channels. And as I just walked through, the growth in the customer-facing digital channels for this quarter was impacted by the actions we took to prioritize profitability over sales. So we eliminated less profitable SKUs from our assortment. We added minimum quantity requirements for certain SKUs. We have not yet anniversaried the increase in our free shipping threshold that we put in place towards the back half of last year.

So all of these things are layering on top of one another and impacting the growth in the customer-facing digital channels, but we are seeing higher profitability.

Operator

Our next question comes from Michael Lasser from UBS.

Atul Maheswari
UBS Investment Bank, Research Division

This is Atul Maheswari filling in for Michael Lasser. My question is a bit of a follow-up from one of the earlier questions. So you did list stabilizing sales as one of your near-term priorities. How do you really expect to achieve this objective without compromising margins given you have prioritized one over the other in the past? And what are some of the key changes that you need to implement to ensure that both sales and margins grow at the same time?

Mary A. Winston
Interim CEO & Director

Yes. So obviously, it's still early days and we're still getting our arms around everything that's going on and prioritizing what the initiatives will be. But I think the -- in addition to the sales comment, you also have to couple that with our focus on managing gross margin from a cost perspective. So we do expect to drive sales, but we expect that to be profitable. And in the gross margin area, I think we talked about looking at where we are with our vendors and looking at other -- just components of cost of sales where we can get some benefit there.

Operator

Our next question comes from Simeon Gutman from Morgan Stanley.

Joshua Kamboj
Morgan Stanley, Research Division

This is Josh Kamboj on for Simeon Gutman. Our first question, what rate of industry growth is embedded in your guide for 2019? And how did the market grow versus your initial expectations in the first quarter?

Robyn M. D'Elia
CFO & Treasurer

I'm sorry. Can you just repeat that?

Joshua Kamboj
Morgan Stanley, Research Division

Sorry, yes. What rate of industry growth have you embedded into your guide for 2019? And how did the market grow versus your expectations in the first quarter?

Robyn M. D'Elia
CFO & Treasurer

So I guess you're thinking about our sales plan? I mean in terms of our sales guidance, we were anticipating a decline in the -- between 5% and 6% in the first quarter. We came in slightly below that sales range. And from a...

Joshua Kamboj
Morgan Stanley, Research Division

No. Sorry, yes, I was wondering if you were baking in a certain rate of home furnishings' industry growth as a whole into your guide for the year. And if you can share what that is and what that might have been in the first quarter, like if you thought home furnishings were going to be flat and maybe the industry declined a little bit. Not your own guide, just how you're thinking about the industry backdrop for the year.

Mary A. Winston
Interim CEO & Director

Let us take a look at that and maybe get back with you. I mean as we think about the home furnishing market, it's not a usually declining market, but it's obviously not robustly growing either. I think the biggest thing we see in the market is the continued focus on online sales and that, and so that's impacting everybody in the market. But the overall market, we have not built in any significant expectations in either direction for the market to be booming or for the market to be way down.

Joshua Kamboj
Morgan Stanley, Research Division

All right, that's helpful. And then just as a follow-up, is it safe to assume that you have 25% tariffs embedded in the guide now? And just in the context of the fact that the guide didn't move that much, were they also -- sorry, I'm not sure, I think we're having some IT issues. A follow-up question was just, is it now safe to assume that 25% tariffs are baked into your guide? And just in the context of the fact that it didn't move much following what you initially laid out alongside the fourth quarter results, were they also at the 25% level in that initial guide even though the tariffs haven't stepped up to that rate at that point in time?

Robyn M. D'Elia
CFO & Treasurer

No. At the onset of the year, they were definitely not at the 25% rate. And we're continuing to monitor the situation, and we haven't made any changes to the guidance at this point for that rate.

Operator

Our next question comes from Steve Forbes from Guggenheim Securities.

Steven Paul Forbes
Guggenheim Securities, LLC, Research Division

I wanted to focus on the BEYOND+ program, right, given sort of the gross margin implications here. And so just on the growth in members, whether it's quarter-over-quarter or just the run rate of the growth, are you surprised by the ramp in membership growth as it appears it's slowed a little bit?

And are there any plans to sort of tweak the offering, whether it's a certain component of the value proposition as you think about reaccelerating that growth? And maybe just if you can comment on what you're seeing as it relates to membership ticket and traffic trends.

Robyn M. D’Elia
CFO & Treasurer

So yes, we have seen some growth during this quarter in the BEYOND+ membership program. And as you mentioned, we're continuing to evaluate it so we may see some changes to the value offers in the future. At this point, we're continuing to see positive results. The BEYOND+ members, we're seeing that they shopped twice as many times as the average customer and as they spend 4x as the amount of an average customer. And so we're encouraged by that, and we're continuing to monitor it.

Steven Paul Forbes
Guggenheim Securities, LLC, Research Division

And then as a follow-up maybe for you, Mary. If you think about your tenure thus far, you're obviously traveling around the stores, the distribution centers, talking to store associates. I think you mentioned right in your prepared remarks revisiting the value proposition and sort of rethinking that on how you can improve it. So what did you hear right from the store associates as it pertains to what maybe they think or they're hearing from customers as what needs to transpire as it relates to the broader value proposition that Bed Bath & Beyond puts out there?

Mary A. Winston
Interim CEO & Director

Yes, well, the first thing I would say that I've heard from our associates is their enthusiasm about the customers' commitment to the stores. They know the customers who come in because they're frequent shoppers, and they're committed to providing them the best service and the best value that they can. So that's the first thing.

I think the other thing I've heard from people and seen myself is the affinity for the coupon. And so we have to continue to manage that and evaluate how we want to handle that, but that's near and dear to the customers' hearts and our stores. Members know that as well.

I think from a value proposition standpoint, again, this is something we will be revisiting at the Board level and certainly working with our Transformation and Strategy Committee. But what we're hearing at store level is customers comparing our pricing to others' pricing, and we feel good about the moves we've made recently, but customers are focused on pricing, value and that type of thing. So we're hearing a little bit of that as well.

Operator

Our next question comes from Anthony Chukumba from Loop Capital Markets.

Anthony Chinonye Chukumba
Loop Capital Markets LLC, Research Division

I guess my first question is just on the presentation of the results, particularly you backed out the goodwill, but you also backed out the severance costs and the shareholder costs and then you showed the comparison year-over-year where you backed out some items in the first quarter of last year. I guess I was just wondering, why did you switch the presentation to show the non-GAAP as opposed to historically

when you've only really for the most part shown GAAP with the exception of like big goodwill amortization charges? I guess I was just wondering what the rationale was for going to that presentation.

Robyn M. D'Elia
CFO & Treasurer

Well, I think our objective was to present our operating results, present things on an apples-to-apples basis so it's easy to compare and see the changes or the improvements that we've made on a year-over-year basis.

Anthony Chinonye Chukumba
Loop Capital Markets LLC, Research Division

Okay. That's helpful. And then just a quick follow-up. You talked about this -- these 4 key near-term priorities, and one of them is sort of reviewing the asset base. And it looks like you're reviewing all of your concepts, including your sort of noncore concepts. Any sense for timing in terms of making decisions on -- specifically on the noncore concepts like -- for example potential divestitures?

Mary A. Winston
Interim CEO & Director

At this point, I'm not going to commit to any specific timing. We're certainly moving with a sense of urgency. This is a priority for the management team and the Board. The Board will be overseeing our work to look at the various concepts. And when we have some next steps or something to announce, we'll certainly make you aware of it.

Operator

Our next question comes from Jonathan Matuszewski from Jefferies.

Jonathan Richard Matuszewski
Jefferies LLC, Research Division

So in guiding through the lower end of the range, you alluded to maybe what sounds like a continuation of tough top line trends quarter to date. Is that quarter-to-date trend consistent with the high single-digit decline in brick-and-mortar comps and slight DTC growth we saw this quarter?

Robyn M. D'Elia
CFO & Treasurer

So we are expecting a gradual sequential improvement in the comp sales from stores as we move throughout the year. And that -- we'll achieve that through our efforts to stabilize sales, including some changes we've made to our marketing program and other sales initiatives that we have underway. We did mention earlier that we were going to shift some advertising expenses from the first quarter to the fourth quarter so that will help out later in the back half, but we are again looking to improve the trend throughout the year.

Jonathan Richard Matuszewski
Jefferies LLC, Research Division

Got you. So that would include a sequential improvement from 1Q to 2Q?

Robyn M. D'Elia
CFO & Treasurer

Well what we know about 2Q to date has definitely been built into the model. We haven't seen a major shift in the trend that we've experienced in 1Q at this point, so we -- but we are again projecting through the remainder of the year, improvement.

Jonathan Richard Matuszewski
Jefferies LLC, Research Division

Got you. And then just on the sourcing side, you guys have made some enhancements to the team and opened up the second office in Asia. And obviously, there were long-term plans discussed to really ramp up direct imports in certain categories. So maybe just share some of your latest thoughts there if there's been any initial traction in ramping up direct imports. Any thoughts there would be great.

Mary A. Winston
Interim CEO & Director

Well, let me speak about it a little bit more broadly and then if Robyn wants to add in terms of what we've seen recently. In general, I think obviously, focusing on our supply chain and our direct sourcing opportunities to provide great benefits so we're definitely taking a look at that. That is on the docket with all of the initiatives that we'll be working with the Transformation Committee of the Board with to prioritize. We have had early good results, and we're looking at certain things in that area, but we don't have a lot to report on at this point, so.

Operator

Our next question comes from Seth Basham from Wedbush Securities.

Seth Mckain Basham
Wedbush Securities Inc., Research Division

My question is first around pricing. You talked about the diluting in pricing strategy. What changes have you made recently? And how are you thinking about pricing relative to the competition going forward?

Robyn M. D’Elia
CFO & Treasurer

We've definitely made changes in terms of changes to our dynamic pricing strategies and algorithms, and we've looked to optimize our base pricing as -- or initial and base pricing of merchandise. We've seen that those pricing strategies helped us in the merchandise margin area. We saw a decrease in merchandise margin, but it's at a lesser rate, I guess, than we've been experiencing. So the trend is improving due to some of those pricing changes that were put in place.

Seth Mckain Basham
Wedbush Securities Inc., Research Division

Got it. So your emphasis on the base pricing, you're raising base prices to protect margins Is that the -- what I should be taking away from this?

Robyn M. D’Elia
CFO & Treasurer

Yes. We are evaluating our pricing strategies holistically in that one element of it. Yes.

Mary A. Winston
Interim CEO & Director

Yes. So I will put an emphasis on the fact that, that is one element of it. You should not take away that we're wholesale increasing prices. I mean we are monitoring what the competition is doing, thinking about our need to stabilize sales and how sensitive the customer can be to pricing.

So we're evaluating it holistically and so on some SKUs and categories, we might increase prices. In other areas, we might not. So it's more complicated than just saying -- being able to say that yes, we're taking wholesale price increases, because we're not doing that.

Operator

Our next question comes from Curtis Nagle from Bank of America.

Curtis Smyser Nagle
BofA Merrill Lynch, Research Division

So just a quick one on, I guess, potential asset or concept sales. Is that something you'll be able to do or, I guess, would consider doing without a permanent CEO in place?

Mary A. Winston
Interim CEO & Director

Well, what I will say about everything that we're focused on, the Board has a sense of urgency and the management team has a sense of urgency. And so while the CEO search is certainly a priority, we're not going to be standing still in the interim. So when we see opportunities that we think are really going to be to the benefit of the business, we will move forward on them. Now whether or not that particular thing will be one of those things, can't speak to that at this point until we finish our evaluation of things. But we will not be holding off on actions that we think makes sense to really stabilize the company and move forward.

Curtis Smyser Nagle
BofA Merrill Lynch, Research Division

Understood. That makes sense. And just a quick one on the guidance. I don't think I heard anything pertaining to how buybacks may or may not be factored in. Are there future buybacks in the full year guidance?

Robyn M. D'Elia
CFO & Treasurer

We do have plans for buybacks from the guidance. But again, we wanted to give the metrics that we were most comfortable with, which is sales at the low end of the range and EPS at the low end of the range.

Mary A. Winston
Interim CEO & Director

Yes. And what I will just add on that, one of the things that the Board will be doing is taking a look at the capital allocation approach for the company. And so we will be factoring into that the need to invest in the business, to transform, to maintain stability in the business. And we'll also be evaluating how we want to return cash to shareholders through both dividends and/or share repurchases.

Operator

Our next question comes from Zach Fadem from Wells Fargo.

Eric Michael Cohen
Wells Fargo Securities, LLC, Research Division

This is Eric Cohen on for Zach. You commented earlier that historically, Bed Bath has not kept up with changing consumer behavior and you mentioned that you're going to make updates to that store experience. Can you sort of comment on what changes we can expect to see and maybe when we can sort of see them in the store to impact the sales or margins?

Mary A. Winston
Interim CEO & Director

Well, what I will say is we continue to have quite a few initiatives underway in that area. And that is core to what our next-generation lab store initiative is all about, is being able to test those concepts, see what's working, tweak it as we go, roll out things that makes sense across the chain. So to say specifically at this moment what those things are, it's probably a little premature because we're continuing to evaluate the performance in those stores and make those decisions.

Eric Michael Cohen
Wells Fargo Securities, LLC, Research Division

Fair enough. And then can you also comment the change you're making to the coupon strategy? You thought that was actually a gross margin benefit this quarter. Just sort of how -- changes you've made,

and then presumably this led to probably some lost sales that you're comfortable with, so the lost sales on the table and just sort of how your prices stack up versus peers?

Robyn M. D'Elia
CFO & Treasurer

From a coupon perspective, we look at the mix of offers, availability of coupons and then also having some coupon exclusion. So from a rate of gross sales, it is favorable this quarter and it did -- there was a decrease this quarter that contributed to our gross margin.

Operator

Our final question comes from Brad Thomas from KeyBanc Capital.

Bradley Bingham Thomas
KeyBanc Capital Markets Inc., Research Division

Just want to follow up on the review of the different concepts, and over the years, the company has not wanted to disclose revenues by segment or profit by segment. But I was wondering if there's any more quantification or color that you might be willing to provide today about how the different businesses are performing.

Mary A. Winston
Interim CEO & Director

Unfortunately, no, there's nothing more that we're going to provide today on a concept basis because you're right, we have not in the past given those numbers. And so for now, we're going to continue in that path. But you can be assured that we are going to be evaluating the concepts and looking at all of those businesses and making appropriate decisions.

Bradley Bingham Thomas
KeyBanc Capital Markets Inc., Research Division

Got you. And if I could follow up then on maybe the cost expense opportunity, recognizing that there could be some moving pieces between the line items versus the way you guided earlier in the year. I guess, Mary, Robyn, could you talk a little bit about how you're thinking about the expense opportunity in 2019 and maybe how much you can bring that SG&A line down by this year?

Mary A. Winston
Interim CEO & Director

Well, I won't attempt to quantify it, but as I did say in my prepared remarks, SG&A and rightsizing for the business that we're managing right now is a top priority for us. I think that we just have to look at that, and so we're going to -- we've been looking at it. We have lots of initiatives underway. We've been executing initiatives in the SG&A area, but we're going to continue our focus there and accelerate some of the activity that's underway.

Operator

Ladies and gentlemen, that is all the time we have for questions today. I will now turn the call back to Janet Barth for closing comments.

Janet M. Barth
Vice President of Investor Relations

Thank you, Cheryl. And thank you all for participating in our call today. If we didn't get to your questions or if you have additional questions, feel free to contact me for a follow-up call. Other than that, have a good night. Thank you.

Operator
Thank you, ladies and gentlemen. That concludes today's conference. Thank you for your participation. You may now disconnect.